



2009 Customer Experience Consumer Study

**Consumers Pay for Exceptional Customer
Experiences**

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Table of Contents

The Business Case for Customer Experience	1
Drivers of Exceptional Customer Experiences	4
Recommendations	6
Survey & Research Methodology	7
About Strativity Group	7
About Customer Service Experts	7



The Business Case for Customer Experience

“...delivering positive customer experiences pay huge dividends to companies, even during a recession.”

Customers continue to reward exceptional customer experience even in tough economic times, according to Strativity’s 2009 Customer Experience Consumer Study of 1,994 consumers. Premium price, longer relationships and willingness to purchase more are among the ways customers reciprocate for receiving exceptional experiences. At a time when companies are considering cutting their investments in customer experience and customer service, corporate executives need to balance any potential savings in costs by the loss in revenue due to providing inferior experiences.

Companies that deliver exceptional customer experiences are rewarded with customers who buy more, attrite less and are willing to pay higher prices. The study demonstrates a clear demand by consumers to receive exceptional customer experience. This demand comes with the promise for more profitable business. This demand however is not optional. Customers participating in the study indicated that they penalize companies that fail to deliver the desired experiences either by demanding discounted prices or by terminating their relationship altogether.

The Business Case for Exceptional Customer Experience

To determine the impact of delivering exceptional customer experiences, consumers were asked to answer the Net Promoter question for the company with whom they most recently did business. The Net Promoter question, popularized by Fred Reicheld in his book, *The Ultimate Question*, asks customers to rate the likelihood that they would recommend a company to a friend or colleague. The question was used both because of its popularity and because it highlights and distinguishes between loyal customers (promoters), indifferent customers (neutrals) and disloyal customers (detractors). Strativity Group then asked the consumers about their purchasing behavior, including their willingness to:

- ⇒ Continue buying from the company
- ⇒ Pay higher prices to continue doing business with the company
- ⇒ Increase their spending with the company

According to the almost 2,000 consumers surveyed, companies that deliver exceptional customer experiences realize the following benefits:

- ⇒ Significantly lower customer attrition
- ⇒ The ability to charge higher prices than their competitors
- ⇒ The ability to capture a higher percentage of their customers’ wallets

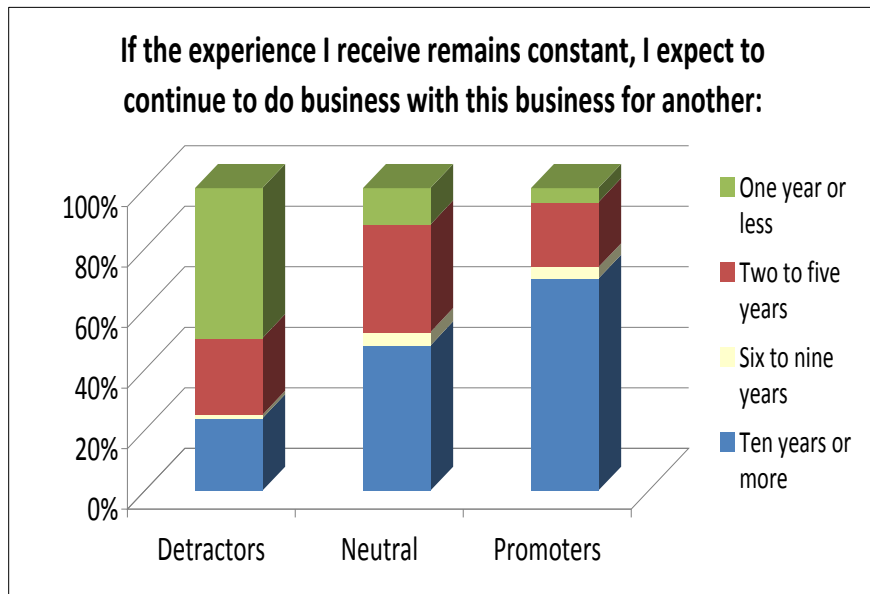


“Unhappy customers are ten times more likely to cease doing business with companies within the next 12 months than loyal customers.”

The consumers participating in the study delivered a clear verdict that exceptional customer experiences lead to a more profitable business. Any company that chooses the opposite direction takes a risk in the form of lower margins and shorter relationships with customers.

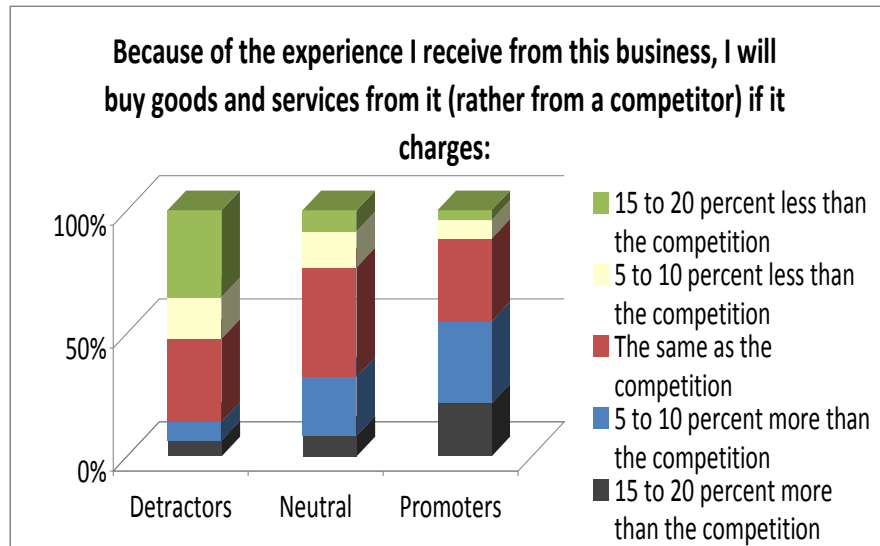
Permanence of Relationships

The Strativity 2009 Customer Experience Consumer study indicated that customers who received an inferior customer experience are *ten times* more likely to cease doing business with companies within the next 12 months than loyal customers. In contrast, loyal customers who enjoyed exceptional customer experience are almost three times as likely to continue doing business with companies for another ten years or more than the dissatisfied customers.



Premium Price

Furthermore, dissatisfied customers say that, in return for continuing to do business with companies that deliver inferior customer experiences, they expect to pay less than they could pay elsewhere. 52% of unhappy customers say that they will continue doing business with a company delivering poor experiences only if it offers a discount of 5% or more. Loyal customers demand no such discount because they are satisfied with the quality of their companies’ experiences. In fact, 40% of loyal customers said that they were willing to pay 10% or more to continue purchasing from companies delivering great experiences, in contrast with only 9% of unhappy customers who are willing to pay more to continue to do business with the companies they rated.

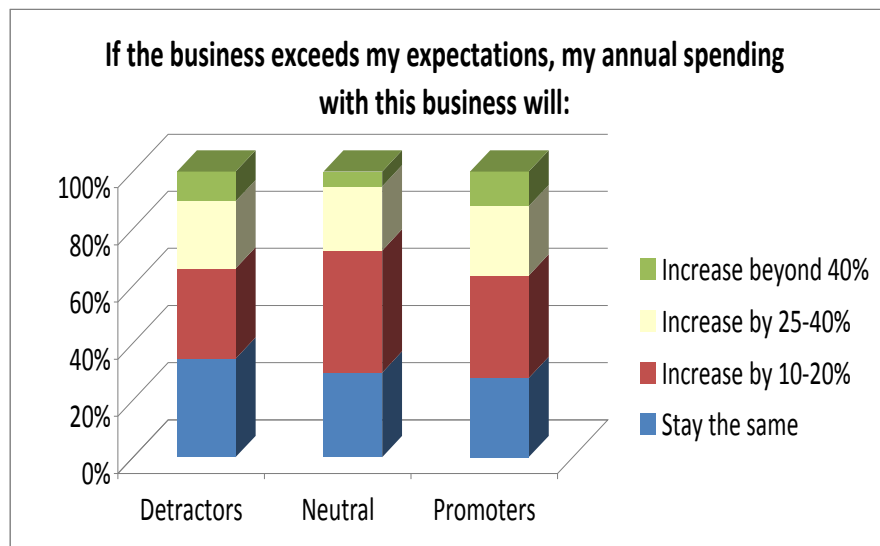


Portion of Budget

Finally, consumers are willing to increase their spending with companies if the experience they receive improves. More than 70% of consumers surveyed indicate that they are willing to spend 10% or more with businesses if those businesses exceed their expectations. More than one-third of consumers surveyed said that they are willing to spend 25% or more if their expectations are exceeded.

Considering the results above, the case for exceptional customer experiences is clear. Companies who design and deliver expectation customer experiences should expect to be able to:

- ⇒ Defend their premium price position
- ⇒ Reduce costs of sales by retaining customers for a longer period of time
- ⇒ Expect a larger portion of the customer budget in return for their exceptional customer experience.





Drivers of Exceptional Customer Experiences

“...businesses must understand the drivers that lead customers to perceive experiences as superior.”

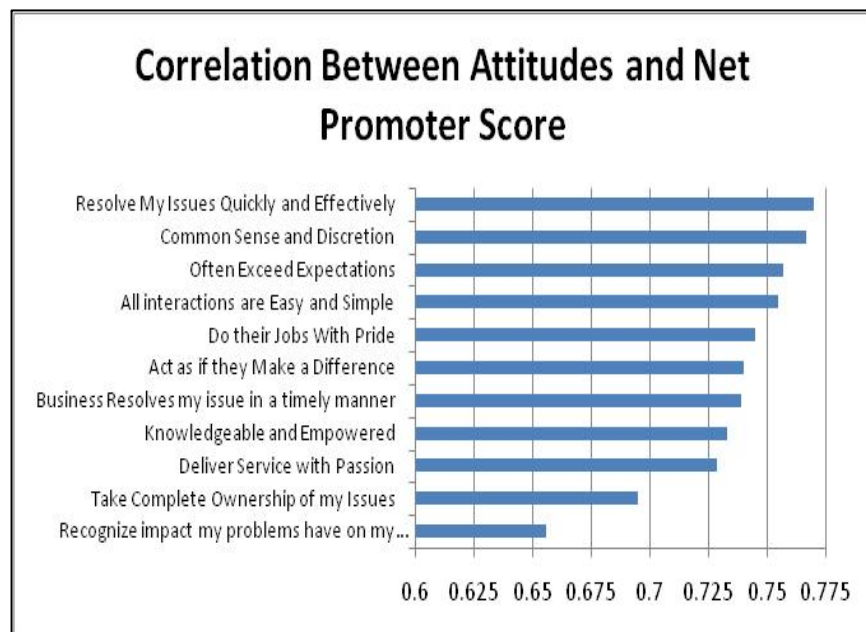
Given the high payoff that awaits companies that deliver extraordinary customer experiences, businesses must understand the drivers that lead customers to perceive experiences as superior. These drivers should be the basis of any investment decision and resources prioritization. The 2009 Customer Experience Consumer Study further investigated the key drivers for customer experience excellence, both from the aspect of physical attributes of the experience and the emotional attitudes of the employees.

Utilizing the Net Promoter question, we analyzed the attributes that have the highest correlation to willingness to recommend, thereby creating a prioritized list of physical attributes and emotional attitudes that drive customer experience.

Of the emotional attitudes that contribute to the overall customer experience, the following attitudes correlated most strongly with the net promoter question:

- Quick and effective issue resolution
- Common sense and discretion
- Exceeding expectations
- Ease and simplicity

The chart below illustrates the complete correlation between all measured emotional attitudes. Consumers who rated companies the highest based on these criteria were the most likely to be promoters.



The study revealed some interesting drivers to customer experience in the physical attributes area as well. In this recession, many

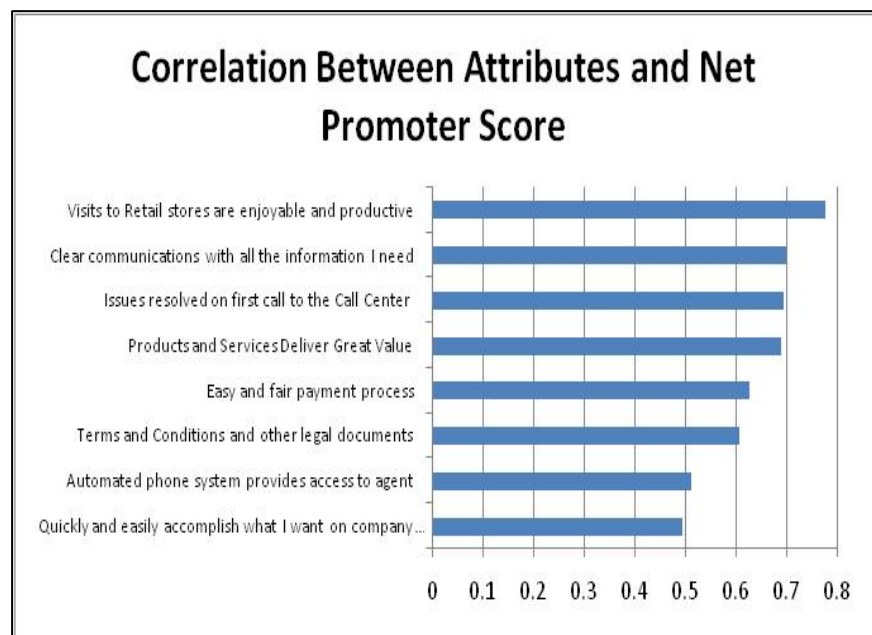


“Companies also need to remember to invest in those channels that provide consumers with the opportunity to interact with a real person.”

companies are investing heavily in alternatives to live interaction channels, specifically in web and phone based self-service mediums. However, according to the survey participants, companies also need to remember to invest in those channels that provide consumers with the opportunity to interact with a real person. Strativity Group’s study demonstrates that customer loyalty correlates most strongly with consumers’ satisfaction with the following organizational touch points:

- ⇒ Retail stores
- ⇒ Written communications
- ⇒ Call centers

As one might expect, stores represent the most important touch point in industries such as retail, supermarkets, and pharmacies, while call centers are more important in markets that depend upon this channel to conduct the bulk of their transactions such as financial services and travel.



The chart above illustrates the correlation between all physical attributes of the customer experience and the Net Promoter question.



“Companies that over-invest in the products and features they offer while neglecting the emotional attributes of the customer experience fail to recognize that consumers evaluate the overall customer experience...”

In this self-service era, it is critical to recognize that satisfaction with a company’s web site and voice response system are not as powerful in generating or reinforcing consumer loyalty as the core touch points listed above.

The study also highlights the importance of recognizing that facets of the experience deemed important by consumers may not always correlate highly with loyalty. For example, the survey participants stated that the two most important aspects of the customer experience are the following:

- ⇒ An easy and fair payment process
- ⇒ Products and services that deliver great value

However, when correlations between satisfaction with the various aspects of the customer experience and the net promoter question were run, these proved to have a lower correlation with loyalty than any of the attitudinal aspects of the experience and many of the other physical attributes. Companies that over-invest in the products and features they offer while neglecting the emotional attributes of the customer experience fail to recognize that consumers evaluate the overall customer experience not just a product’s set of features.

Recommendations

“Companies should remember that consumers want the maximum value rather than the lowest price.”

Companies should reconsider their investment and cost reduction strategies in light of the impact on customer spend and loyalty. Such decisions should be made in complete context of what expected customer reactions to those moves. If a company cannot link cost reduction or lack of investment in customer experience to the financial impact, they risk serious financial consequences.

Furthermore, companies should remember that consumers want the maximum value rather than the lowest price. Companies interested in benefiting from lower customer attrition, premium pricing and an increased share of wallet need to do the following:

- ⇒ Develop a model to understand the linkage between customer experience quality and customer spend and relationship longevity
- ⇒ Assess and determine investments in the context of the financial impact
- ⇒ Identify those moments of truth in the customer experience journey that have the greatest impact on loyalty so they can focus their investments on those areas
- ⇒ Invest in the emotional drivers of the customer experience in addition to the physical attributes of the experience
- ⇒ Recognize that, while self-service capabilities are important, customers base their loyalty on the quality of live interactions with company employees in the store or on the phone.



Survey & Research Methodology

The research was conducted via a structured, anonymous, on-line survey that was used for assessment and qualitative insight. The study was conducted with Customer Service Experts who provided access to their consumer panel. 1,994 surveys were submitted by consumers from the United States and Canada. The survey was conducted from April 13, 2009 through May 4, 2009. Respondents were entered into a sweepstakes and twenty random participants received a \$50 American Express gift card. Participants represent a wide range of ages, income levels and education. For more details about the Customer Experience Consumer Study, please visit www.Strativity.com, (email) info@Strativity.com or call (201) 843-1315.

About Strativity Group

Strativity Group, Inc. is a global customer experience research and consulting firm specializing in design, innovation and deployment of differentiating, profitable customer experiences. Utilizing a multidisciplinary methodology that includes diagnostics, consulting innovation, organizational readiness, employee education and communication we ensure successful execution and realization of the financial benefits. Our focus is very simple: successful execution of your customer experience strategy.

Strativity Group, Inc. works with both Global 2000 companies as well as emerging businesses around the world. Our clients include Nokia, Computer Associates, SAP, American Management Association, Seagate Technology, Honeywell, Siemens, Dimension Data, FedEx, CATIC, Circle K, University of Pennsylvania, The Fund, Capital One, Jacada, Wyeth, Sage, Herbalife, Akibia, National, Lockheed Martin, Crown Plaza Hotels & Resorts and Nordea.

About Customer Service Experts

Customer Service Experts, Inc. (CSE) was created with a vision to improve the customer experience by focusing on the internal team and their direct link to customer satisfaction. CSE's approach helps clients improve service from "the inside out" with a primary focus on executive leadership providing the proper support and tools for the frontline employees and managers to succeed. CSE's strategies have benefited clients with both B2C and B2B engagements in a variety of industries including: retail, airport, hospitality, healthcare, education, government, financial, service and food and beverage.