

# How to Improve Customer Retention by Building Emotionally Engaging Customer Experiences

WHITE PAPER



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It amazes me how much money is spent on Marketing to *gain* customers and yet when you ask organizations how much they spend to *retain* customers they look at you as if you are mad!

This is a well-established stat but as relevant today as it was when it was first published by The American Society of Quality Control a few years ago. They asked a simple question: 'Why do customers leave companies?' Here are the reasons:

- 1% because they die
- 3% because the customer moves away
- 5% because a friend influenced them to go elsewhere
- 9% where lured away by competition
- 14% because they were disappointed with the product
- 68% because of the company's indifferent attitude to the customer

In other words 68% of customers left, because they did not think the company cared for them.

Therefore, what do you need to do to improve customer retention? The answer is simple; you need to build an emotional connection with your customers. The ultimate goal is you do not just retain customers but they become advocates for you recommending you, because you deserve their loyalty.

Let us just consider the word loyal or loyalty for a moment, what does it mean? To examine this consider the people to whom you are loyal. Who are they? Typically, they are your family and friends. You have built an emotional bond with these people that is very difficult to break. These people can do things you do not like and yet you remain loyal to them.

This bond has been built over a period of time. To build this bond they have done things to make you feel and behave this way-- loyal. For example, my wife, Lorraine, does things to show me she cares. She anticipates my needs, listens to me when I have had problems at work and encourages me. She knows when to talk to me and when not. She offers to drive because I am tired, even though I know she is tired as well. The result is I love her, I am loyal and we have built an emotional bond. The reality is that given the millions of women in the world, the chance that Lorraine is the only women that I would fall in love with is remote. (Please do not tell her this ). However, the reality is because of all things we have remained together for 28 years of our marriage. Would you like to retain your customers for 28 years?

Well let me shock you. Customers are people! They are the same! Now I am not saying that next time you see one of your customers that you should run up to them and give them a hug! I am saying if you want them to remain with you and become a loyal advocate you need to build an emotional bond. Therefore, you need to deliberately design into your experience actions that evoke positive emotions. Unfortunately, we know from the wealth of customer complaints and stories we can all tell that company's do many things, unintentionally, to evoke negative. Why does this happen? Invariably it is because management does not understand the implications of their actions. They do not realize that implementing a measurement system will affect the customer experience. They do not realize that their leadership style will affect the customer experience.

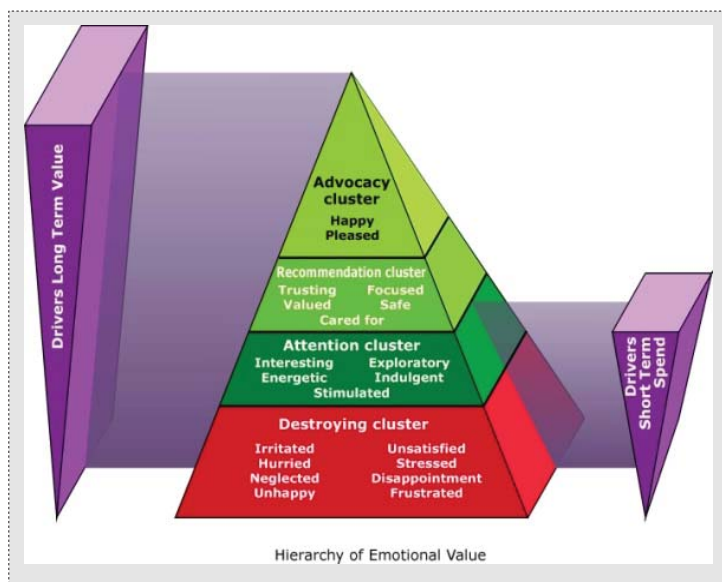


What happens is this. Through their actions, companies provide a stimulus to customers. For example, the company could leave someone waiting on the phone for 30 minutes each time they call customer service. The customer then has a reaction to this and an emotion can be evoked. In this case, they would probably feel frustrated and feel the company is neglecting them. This experience could be enough for the customer to then decide to leave that company. Alternatively, this one event could just be the 'straw that breaks the camel's back'. A series of other events contribute to this final decision to leave. You need to consider the individual actions that you undertake at each touch point and consider the emotional effect these have over a period of time, and you will build an emotional bond with them.

Nevertheless, this is business; I hear you say 'we cannot do things like that. Our senior executives are more interested in cutting costs and efficiency.' Why is this focus?

Well the majority of the reasons that most senior executives have not focused on improving the customer experience is they actually do not think it will help them reach their goals as much as focusing in other areas will. They have not sat down and done the comparison between how much money is being spent on attracting a customer, and how much money is being lost by not retaining them. They have not considered the lifetime value of the customer. If they could really know how much money could be generated by improving customer retention I am sure they would be very interested. The challenge has been empirically proving the cost of retention. If there was a mathematical approach that showed that focusing on improving customer experience would improve your revenues by 50% would your senior team be interested? I am sure they would.

You may be interested to know that after completing two years of research with London Business School for our last book, the *DNA of Customer Experience: How emotions drive value*, we can now demonstrate quantitatively the link between evoking emotions in the customer experience and the impacts on customer retention. We can even go on to show how much an organization will gain by undertaking a given action or actions and in what priority order they should undertake these actions. Additionally we can show many of the companies which have undertaken this work, and the \$\$\$ benefits they are gaining from employing this approach.



Essentially our work with London Business School shows that out of the hundreds of emotions humans feel, there are twenty that drive and destroy value. These emotions form into four clusters. There is a destroying cluster of emotions, which if evoked in customers during their experiences with you will cause declines in both business value and customer retention.

We then move into the *attention* cluster, these are emotions normally evoked by marketing. They are emotions like stimulated, interested and exploratory. Marketing evokes these emotions to make people pay attention to and be attracted to a particular company. These have a proven link to short-term increases in revenue, but will not, by themselves, retain customers.



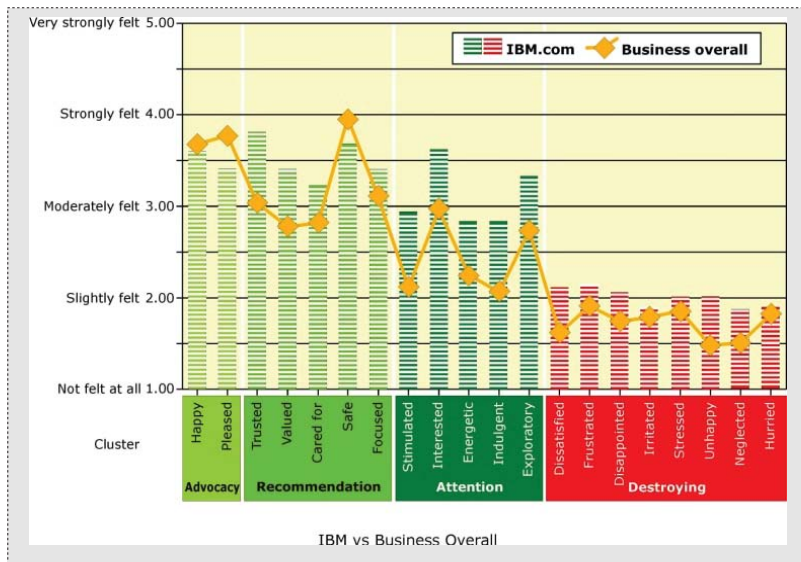
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Now we get into the heart of the matter—the upper half of the pyramid. Once your customers are with you how do you get them to stay? How do you get them to want to stay because of their emotional bond? Well it is simple, by evoking the *recommendation* cluster of emotions. These are emotions like cared for, trusted and valued. Finally, at the top of the pyramid we have the *advocacy* cluster of emotions. This only has two emotions, which shows how strong these emotions are. The emotions here are happy and pleased—emotions demonstrated in the research model to be the real drivers of advocacy and loyalty.

So let me be clear: these are the emotions that have a mathematical link with customer loyalty and retaining customers. If you evoke the destroying cluster of emotions, you will reduce retention. If you evoke the emotions in the *attention, recommendation* and *advocacy* cluster of emotions, you will increase retention.

It is also worthy of note that there are a number of emotions that people talk about and employ as key performance indicators, like satisfied and delighted-- that did *not* appear in this research. This means that despite their widespread use in business today, they have no proven link to drive or destroy value or retention. So, ask yourself this. Why are you measuring customer satisfaction if satisfaction does not drive value or retention? It is even more surprising when we already know that satisfied customers still leave organizations.



As Marketing has undertaken their role in attracting customers through the attention cluster, we need to focus on limiting the destroying cluster and building on the attention and advocacy cluster to retain these customers. Therefore, there are three questions we now need to answer. Where are you today? How are we doing against all these emotions? What is our level of emotional engagement with customers?"

From the two years of research, we discovered that all organizations have an Emotional Signature®, a level of emotional engagement. You will see from this chart, taken from a case study on IBM in the "DNA" book. This emotional profile shows to what degree these emotions are being evoked in the customer experience, and juxtaposing the bars against the benchmark average of all organizations. Ideally all

the green bars would be as high as they can be and all the red bars as low as they can be. You will never eradicate all negative emotions as we employ human beings who make mistakes, but they should be deliberately minimized as much as possible. Once you know your emotional profile, you can start to focus on evoking the emotions that will retain customers.

The next step is to define the experience that you want to deliver to customers that drives value for you. In our experience, most organizations cannot clearly articulate the experience they are trying to deliver. Therefore everyone does what they think is the right thing and the customers get confused. One part of the company is very proactive and responds quickly to the customer. Another part of the company does not. These differences drive the destroying cluster of emotions. This is a vital step as it sets the strategy of what you are trying to achieve. We call this a Customer Experience Statement.





The next step is determining what to do first. Again, the answer is what drives most value? What would drive the highest customer retention? As you can imagine this varies greatly from company to company, and depends on the current state of the emotional profile. Typically we find the main drivers of a poor experience are the 'Humanics' not the 'mechanics'. The mechanics are the way the process works and the physical - rational aspects. How long it takes to answer the phone etc. These are all about the 'what'. The Humanics are all about the 'how'.

Ok the final bit of the jigsaw. You now know what you are doing that drives and destroys value and customer retention in your current customer. How do you design and build an emotionally engaging customer experience that deliberately drives business value and customer retention? We use a process called Moment Mapping®. This looks at the customer journey from a customer perspective and deliberately designing an experience that meets and exceeds their rational and emotional expectations at the most important (value driving) moments. Most organizations look at such a process from the internal perspective. For example, Lean and Six Sigma are now used widely by organizations but they do not typically take an outside-in look at the customer experience and certainly do not incorporate the emotional side of the experience.

Therefore, to build an emotional bond that drives loyalty and retention, you have to plan how you are going to do this in the detail of the experience. How do you show the customer that you care for them for example? It is important you ask yourself 'what are the processes in place that show the customers you do not care for them? What is the root cause of this?' You may not be deliberately or intentionally imply you do not care for your customers, but the effect of what you are doing is to say 'we do not care.' For example, when working with one client we found that customers were being rushed and hurried off the phone because call center agents were trying to hit their average call handling targets—a KPI for them. This caused customers to feel the organization did not care for them, but did care about the cost of customer 'care'. We would call this a combustion point. The simple solution was to remove average call handling time as a measure for agents. What happened? Call length went up slightly, but the volume of calls declined as more people got their questions answered the first time. Customer emotions like 'valued,' 'cared for' and 'pleased' went up (along with "satisfaction"), costs came down—along with negative emotions like 'hurried,' 'stressed' and 'neglected'.

Therefore, stop and think now what you could need to do to evoke caring? Maybe you should spend more time talking to your customers? Alternatively, perhaps even better that you should be listening to your customers? Maybe you should take deliberate actions to help the customer feel you remember them when they call. We are now talking about putting in place what we would call 'emotional cookies', placing actions in the experience that will evoke the desired emotion.

In summary, to improve customer retention you need undertake the following actions:

1. Understand and define how well you are currently emotionally engaging with customers.
2. Define a customer experience statement; an articulation of the experience you wish to give to your customers. This should be a mixture of what they want and what drives most value for you and should include the emotions you intend to evoke.
3. Focus on improving the areas that drive the greatest business value for you and what the customers say they want you to improve.
4. Finally, you need to build an emotional engaging experience. This experience should look at the rational AND the emotional experience. This includes reducing (or eliminating) the combustion points that are destroying value in your experience and then putting in place emotional cookies to evoke the desired emotions that drive customer retention.



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