

SOCAP Consumer Emotions Study

**SOCAP Consumer Emotions Study
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SOCAP foreword

SOCAP exists to bring consumer affairs professionals together for the benefit of their organisations and their customers through the commitment to quality, customer service, choice, information and redress.

For the past two years, SOCAP has focused its attention on consumer trust, what influences it, and what role it plays in consumer decisions and attitudes.

SOCAP was proud to be the instigator of the landmark 1995 SOCAP – American Express Study of Consumer Complaint Behaviour in Australia. Now, eight years on, SOCAP is equally proud of its role in sponsoring the successor study, the 2003 Consumer Emotions Study.

Launched at the 2002 SOCAP Annual Conference in Melbourne and completed in June 2003, this study constitutes a major advance in understanding what drives Australian consumers.

Now for the first time in Australia, this study has reached down through the blandness of *satisfaction* measures and into the emotions that really affect the consumer's loyalty.

SOCAP is grateful to the nine major Australian organisations and their 4,000 consumers who participated in this study, for their willingness to take the next step.

SOCAP would like to thank Wayne Croker, Brett Gumbley, Michelle Woods, Simon Edwards and Frank Smithers at Evaluate and Michael Edwardson at Psychologica for initiating and conducting this study and producing such a comprehensive report.

B. Davoren

Belinda Davoren
SOCAP President

Why emotions matter

"When it happened I was worried about how much it would all cost. Customer Service were so helpful and reassuring. They calmed me down and helped sort it all out."

Think for a moment about the emotions that make up the experiences of everyday life; emotions such as love, anger, excitement and joy.

Yet it appears that in the business world there is only one emotion that we experience as customers – satisfaction.

Customer satisfaction is one of those terms that is so ubiquitous that we rarely stop to consider what the word actually means, especially when we can "measure" it so easily with surveys and rating scales.

The time has come to ask customers how they actually feel.

For some reason there has been a disconnection between the emotional understanding and language of branding and the actual measurement and tracking of the customer experience. Realigning the way marketing and service think about the customer experience would allow organisations to better meet the needs of their customers, by truly matching customers' day-to-day experiences with the expectations created by advertising, sales and service promises and branding.

"It was under warranty but they didn't care. I was disgusted."

This Study provides compelling evidence that the goal of achieving customer satisfaction has been a useful first step, but the time has come to go beyond this simple measure. There are emotions that customers experience every day that are far more predictive of loyalty, indifference and even defection.

The SOCAP Consumer Emotions Study offers management an opportunity to develop a powerful understanding of what customers are really feeling about their brands and experiences. There are obvious opportunities for organisations to create sustainable competitive advantages with this knowledge.

Key findings

Those who want a top-line summary should read this page. The management implications on page 32 are recommended reading.

- Nine organisations and 4,000 of their customers were involved in this Study and the findings competently reflect what Australian customers feel about Blue Chip Australian organisations.
- Customers were generally well satisfied with the organisations and were well inclined to re-purchase and recommend.
- The top 10 emotions expressed by customers were satisfied, secure, impressed, pleased, contented, indifferent, happy, good, appreciative and reassured. Satisfied was mentioned twice as often as the second most common emotion, and was mentioned even by the dissatisfied. Satisfaction is indistinctive.
- Only one customer in 20 expressed trust in the organisation and only one in 40 felt that the organisation trusted them.
- Committed loyalty was found only at the highest levels of satisfaction. Complete satisfaction is required if loyalty is to be assured.
- Very satisfied customers were also impressed, appreciative, reassured, delighted and other self-referent emotions. Self-referent emotions go to the heart of people's self-identity or sense of self-worth. Customers who felt positive self-referent emotions had strong emotional connections and loyalty to the brand.
- Conversely, very dissatisfied customers expressed negative high and low arousal emotions such as disappointment, anger and frustration and self-referent emotions such as feeling neglected and disgusted. These emotions are relationship destroyers.
- In the middle of the satisfaction scale are the indifferent emotions, or the dead zone of tolerance, where the future relationship could go either way, but will probably go nowhere. Note that the top 10 emotions of the individual participants included indifference, emotionlessness and disappointment.
- There are emotions that are not experienced often that are powerfully attractive or repellent. They include feeling thrilled, empowered and fulfilled and also disgusted, insulted, and exasperated.
- 21% of customers had negative surprises – expectations that were not met. 61% of them contacted the organisation about their most negative surprise. The non-contactors indicated disappointment and disengagement. Disappointment is a very difficult emotion to detect or manage, and it eats away at satisfaction and loyalty.
- Only 14% of the contactors were completely satisfied with the organisation's response and their satisfaction and loyalty were restored.
- The majority were not satisfied and they expressed negative self-referent emotions that were powerfully destructive of the relationship – emotions like anger, annoyance, frustration, feeling cheated, disgusted and exasperated. Organisations need to be more emotionally intelligent when it comes to contact handling.
- There is no honeymoon period experienced by new customers.

Study participants

SOCAP, the Society of Consumer Affairs Professionals in Business Australia Inc., has recognised the need to foster a deeper understanding of the psychology of consumer behaviour. Customer emotions including trust, in particular, are SOCAP's primary current research and education themes.

SOCAP invited Australian organisations to participate in this Study in late 2002. Participation was finalised in early 2003. Nine organisations participated – eight major household names in the diverse automotive, aviation, financial services, home services, telecommunications (2) and utilities (2) industries and a provider of Government services whose customers have supplier choice.

In addition to this report, each participating organisation received a confidential and customised report and presentation describing their findings, including diagnostic information on specific issues affecting customer satisfaction, loyalty, trust and emotional connections.

The Study was conducted by Evaluate and Psychologica. Michael Edwardson, Principal Psychologist and Managing Director of Psychologica and a lecturer in Services Marketing in the School of Marketing at the University of New South Wales, is an expert in consumer emotions.

Evaluate is a leading research firm that specialises in delivering customer insights into satisfaction, loyalty and value. The Study was managed by Evaluate.

About the methodology

The survey instrument and core components of the analysis methodology were designed or customised by and are the property of Evaluate.

The methodology is comparable with that used in the landmark 1995 SOCAP – American Express Study of Consumer Complaint Behaviour in Australia. This 1995 Study was researched by TARP Australia, now known as Evaluate.

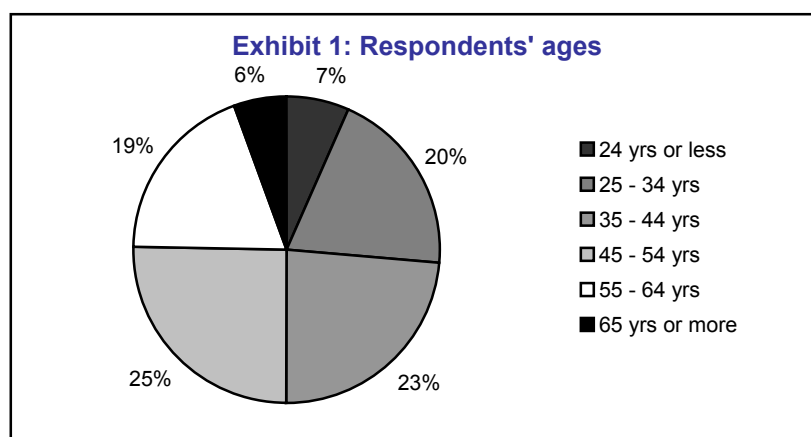
The methodology is derived from one used by Evaluate to assist its clients to identify specific issues affecting customer satisfaction, loyalty and value, and to quantify the bottom line impact of performance shortfalls and improvement priorities.

Fieldwork and representativeness

The Researchers posted a self-completion, reply-paid mail survey to a representative sample of approximately 4,000 customers of each participating organisation¹. For six participants the sample was divided into two groups – around 1,000 new customers and 3,000 longer term customers.

40,000 surveys were posted in early April 2003. 4,059 valid responses were received over the following month – a response rate of 10.3% after adjusting for incorrect addresses.

54% of respondents were male and 43% were female (3% did not indicate a gender). Respondents' ages are shown in Exhibit 1:



A number of demographic questions were asked. The detailed demographic profile of respondents was generally consistent with the Australian customer community and the survey response rates were generally comparable across participants.

Naturally, individual participants' results vary. For example, customers who had just bought a new car were more likely to be "excited" than customers who had just had the electricity connected. The nature and quality of the customer experience varied from organisation to organisation.

However, the individual findings were similar enough to provide generalisable insights into the emotional connections between Blue Chip Australian organisations and their customers.

¹ Respondents were eligible for a \$3,000 holiday prize draw incentive, except in the case of customers of the Government participant. In this case the mail-out was doubled to 8,000 to compensate.

Overall satisfaction and loyalty

Customers rated their current overall satisfaction with their relevant organisation using a nine point scale with Very Satisfied and Very Dissatisfied as the end-points. A Customer Satisfaction Index (CSI) was constructed. A Very Satisfied response contributed 100 and a Very Dissatisfied response contributed zero to the CSI and responses at other points on the scale contributed linearly.

Using scales with Definitely and Definitely Not as the end-points, similar indices were created dealing with customers' current preparedness to:

- Continue to do business with the organisation – Continued Purchase Index or CPI.
- Do more business with the organisation – Extended Purchase Index or EPI.
- Recommend the organisation to their family or friends – Recommendation Index or RI.

Overall levels of satisfaction and loyalty are shown in Exhibit 2. Two organisations shared the highest rankings and one organisation ranked lowest on all indices.

Exhibit 2: Overall levels of satisfaction and loyalty

	Customer Satisfaction Index CSI	Continued Purchase Index CPI	Extended Purchase Index EPI	Recommendation Index RI
All participants	74	82	72	76
Highest	83	88	82	87
Lowest	61	72	57	62

Observations

Overall, customers were fairly well satisfied with the participating organisations. They were well inclined to continue to do business. They were also inclined, but less so, to extend the purchasing relationship and to recommend.

Distinguishing between customers' continued and extended purchasing intentions is a useful way to gain insights into the cross-sell and up-sell opportunities available to organisations.

These index levels are typical of those found by Evaluate to prevail in the Australian business community.

The emotional spectrum

Customers described their current feelings towards their relevant organisation by selecting up to four emotions from a provided list of 50 positive and 66 negative emotions². The full list of emotions available for selection is presented in the Appendix.

Emotions expressed by at least 2% of all customers are shown in Exhibit 3. This Exhibit also shows the top 10 emotions for each organisation.

Exhibit 3: Emotions most commonly felt										
Emotion	Overall	Organisation's top 10								
		A	B	C	D	E	F	G	H	I
Satisfied	32%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Secure	15%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Impressed	13%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pleased	13%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Contented	12%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Indifferent	12%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Happy	10%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Good	10%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Appreciative	9%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Reassured	8%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Valued	8%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Welcomed	7%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Emotionless	6%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Grateful	6%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Disappointed	5%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dissatisfied	5%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Delighted	5%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Optimistic	5%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Trusting	5%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hopeful	4%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Annoyed	4%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Respected	4%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Comforted	4%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Frustrated	4%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Encouraged	4%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Calm	3%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Proud	3%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Let down	3%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Trusted	3%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Appreciated	3%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Uncertain	2%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Accepted	2%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Powerless	2%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Glad	2%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Concerned	2%	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rewarded	2%	✓	✓	✓	✓	✓	✓	✓	✓	✓

² Numerous studies have established that people experience more and have a wider vocabulary of negative emotions than positive emotions.

Observations

Customers perceive brands within a fairly narrow range of emotions, even when the organisations are quite different. This is no real surprise. Surely, Blue Chip organisations aspire to deliver Blue Chip emotions and their customers expect to experience them. How many Blue Chip branding strategies revolve around imagery like security, contentment, pleasure, reassurance, value and the like? Or rather, how many don't?

Whether an airline or a utility, opportunities abound when customers feel satisfied, secure, impressed, pleased, contented, happy, good, appreciative, reassured, valued and welcomed.

"I'm not important to them and they're not important to me."

However, it doesn't always go according to plan. Customers are also quite likely to feel indifferent, emotionless, disappointed, dissatisfied, annoyed and powerless – all top 10 emotions amongst these organisations.

Advertising and brand positioning seek to create differentiation, especially on the expected customer experience. Real experience by real customers provides a more sanguine picture of similarity. The lack of clearly differentiated emotional connections provides opportunities for organisations to own their own branded emotional space.

Satisfaction is ubiquitous – customers described themselves as "satisfied" twice as often as they chose the second most common emotion, "secure". However, as we will discuss later, the ubiquity of satisfaction means that it is not a particularly distinctive emotion.

Many people think of delight as a higher order of satisfaction. Many organisations believe that merely satisfying customers is not enough and their goal should be to delight them. Only one customer in 20 volunteered that they felt delighted and delight was a top 10 emotion for only two participants. As a broad strategy, delighting customers may be a too high a hurdle.

Trust

Trust is not a concept to be taken lightly. From a strategic management perspective, organisational trust is considered³ to be valuable, rare, costly to imitate and non-substitutable. What do these mean?

First of all it is valuable because it reduces the barriers both psychologically and literally between customers and the business. When trust is present, transaction costs are reduced.

One only has to see the results of this Study to know that trust is rare. Only one customer in 20 (4.6%) expressed trust in the organisation.

Trust is costly to imitate because once someone trusts an organisation then barriers to switching are increased – it's harder for a competitor to win the customer over.

Finally it's non-substitutable. You either trust or you don't. There's nothing else to replace it.

"They lied to me. I'm not dealing with them again."

Trust therefore is a real source of competitive advantage and speaks directly to customers' desires to avoid risk in an increasingly complex world.

Trust is a two way street. Do organisations make their customers feel trusted? Not according to this Study. Only one customer in 40 (2.7%) felt that the organisation trusted them.

³ Hitt, M.A., Ireland, R.D., and Hoskisson, R.E., (2001), Trust: Is it valuable, rare, costly to imitate and nonsubstitutable? Strategic Management: Competitiveness and Globalisation (4th ed.), Southwestern, Cincinnati, OH, pp 118-119.

Just what does “satisfied” mean?

The Customer Satisfaction Index calculated across all participants was 74 and the overall Continued Purchase Index was 82. A company with these results might feel quite encouraged – more customers are satisfied than dissatisfied and repurchase intentions are strong. Management might question the wisdom of further investment in increasing customer satisfaction.

Yet this company is likely to have many satisfied customers who will soon take their business elsewhere, as well as dissatisfied and potentially unprofitable customers who doggedly persevere with their custom.

A number of prior studies have identified that satisfied customers are not necessarily loyal, and that complete satisfaction is necessary to assure loyalty.

We have re-examined these prior findings and identified the emotions, beyond satisfaction, that are linked to high and low levels of loyalty.

Exhibit 4 charts the loyalty indices for customers expressing satisfaction along each of the nine points of the CSI scale. In Exhibit 5 on the next page the emotions most frequently expressed at each of the nine points of the satisfaction scale are shown, along with the loyalty indices.

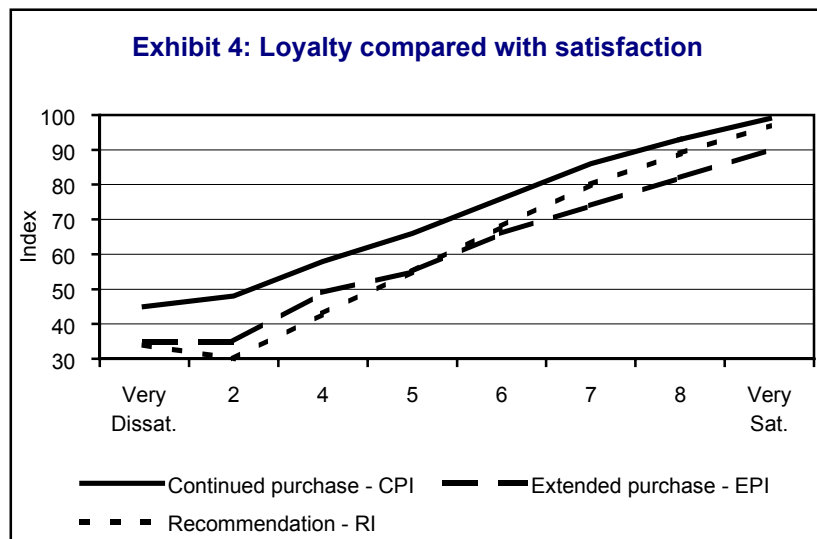


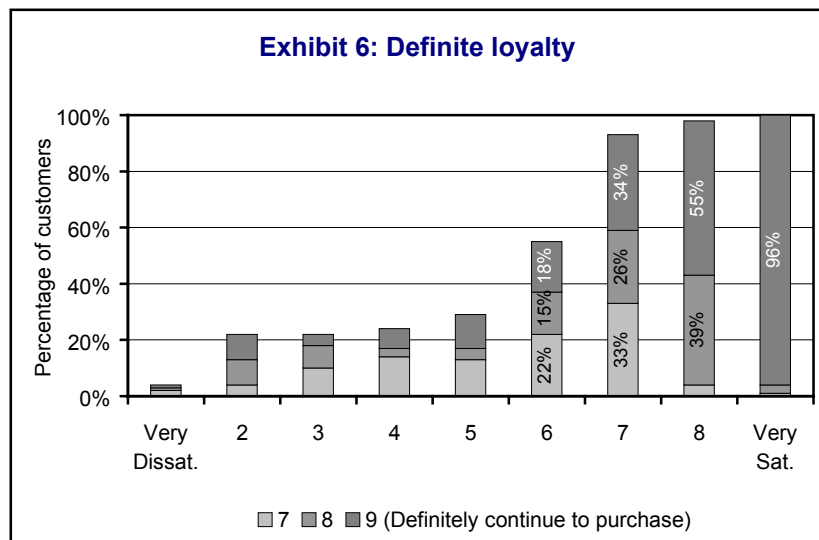
Exhibit 5: Loyalty and emotions along the satisfaction scale

	Cum %	CSI scale	CPI	EPI	RI	Positive emotions in top 10	Negative emotions in top 10
<i>"I'm very impressed. I made the right decision."</i>	28%	9 Very Satisfied	99	90	97	Satisfied , Impressed, Secure, Pleased, Contented, Appreciative, Happy, Reassured, Delighted, Valued	
<i>"The agent was friendly and had a good, helpful attitude of which I was very appreciative."</i>	45%	8	93	82	89	Satisfied , Pleased, Secure, Impressed, Contented, Happy, Appreciative, Good, Reassured, Valued	
	63%	7	86	74	80	Satisfied , Secure, Contented, Good, Pleased, Impressed, Indifferent, Reassured, Happy, Welcomed	
	73%	6	76	66	68	Satisfied , Indifferent, Contented, Emotionless, Secure, Good, Happy, Pleased, Appreciative, Welcomed	
<i>"It's just a simple service and that's all I want from them."</i>	83%	5	66	55	55	Indifferent, Satisfied , Emotionless, Contented, Good	Indifferent, Disappointed, Annoyed, Frustrated, Uncertain
	88%	4	58	49	43	Indifferent, Emotionless, Satisfied	Disappointed, Dissatisfied , Indifferent, Annoyed, Let down, Frustrated, Uncertain
	92%	3	53	42	39	Indifferent, Emotionless, Satisfied	Dissatisfied , Disappointed, Frustrated, Annoyed, Let Down, Displeased, Powerless
<i>"Although I was satisfied with the response, the problem still exists."</i>	95%	2	48	35	30	Satisfied	Dissatisfied , Disappointed, Let down, Annoyed, Frustrated, Angry, Displeased, Aggravated, Powerless
<i>"I was totally disgusted. Nothing was done to help me in any way."</i>	100	1 Very Dissatisfied	45	35	34		Dissatisfied , Disappointed, Angry, Frustrated, Disgusted, Cheated, Neglected, Annoyed, Displeased, Insulted

Exhibit 5 also shows the cumulative percentage of customers that expressed satisfaction along the nine points of the scale. More than one-quarter said they were Very Satisfied and almost two-thirds ticked one of the top three boxes of the scale ("7 to 9"). At face value these results are quite encouraging. To more clearly understand the linkages between satisfaction and loyalty we need to look more closely.

It is no surprise that declines in customer satisfaction are accompanied by declines in purchase and recommendation intentions. For example, the group of customers who rated satisfaction as a "7" record a Continued Purchase Index of 86, 13 points lower than the CPI of those customers who said they were Very Satisfied ("9"). This 13 point decline in the CPI disguises the decline in commitment taking place.

Exhibit 6 shows the percentage of customers who selected the top three boxes in the Continued Purchase Index, for each of the nine boxes in the Customer Satisfaction Index. The findings are comparable when extended purchase and recommendation intentions are analysed in the same way.



Observations on satisfaction and loyalty

Committed loyalty is found only at the very highest levels of satisfaction. As Exhibit 6 shows, fully 96% of Very Satisfied customers will definitely continue to purchase. By the time satisfaction had declined to a "7" only 34% were definitely repeat customers, even though more than 90% of customers were still indicating high levels of loyalty. With satisfaction at a "6", only 18% were definitely repeat customers and little more than half of the customers were indicating high loyalty.

Thus, once again we can confirm that satisfied customers are not necessarily loyal and that complete satisfaction is necessary to secure loyalty.

Exhibits 4 and 5 show that recommendation intentions are more sensitive to satisfaction than purchasing intentions – the recommendation index declines by 63 points as the CSI declines, while the continued purchase and extended purchase indices decline by 54 and 55 points respectively. Satisfied customers are prepared to share their favourable impressions, whilst dissatisfied customers appear to be particularly disinclined to recommend.

Other Evaluate research⁴ paints a more adverse picture – dissatisfied customers tell twice as many other people about their negative experience as satisfied customers tell about their positive experience. This need to tell other people is called emotional disclosure. Together, these findings indicate that favourable word-of-mouth from satisfied customers can easily be overwhelmed by reputation damage by the dissatisfied.

Observations on emotions

Satisfaction is an ubiquitous term, and clearly its use as a single source of evaluation masks the emotional complexity that lies hidden underneath. If customers say they feel satisfied even when they are giving a low rating on a satisfaction scale (see Exhibit 5), then what is the word actually telling us?

This Study peels back the layers of the satisfaction scale to reveal the underlying emotions. The pattern of these emotions have a structure. They have a structure in why and how often they are experienced and they have a structure in how they relate to the satisfaction scale.

At the very top of the satisfaction scale we see emotions that are linked to well-being and positive appraisal. Emotions such as impressed, pleased and contented are known as self-referent emotions.

The reason self-referent emotions are so important is that they go to the heart of the customer's self-identity, how they feel about themselves. Strong positive self-referent emotions create strong self-identification with the brand. Feeling reassured about an organisation indicates that bonds are being created, and they only occur at the highest levels of the satisfaction scale.

Strong negative self-referent emotions result in feeling bad about oneself and are powerful defection triggers. As we can see at the bottom end of the satisfaction scale, emotions such as insulted, cheated, neglected and disgusted indicate the presence of strong negative self-referent emotions. This is the worst of all scenarios for

⁴ Including the 1995 SOCAP – American Express Study of Consumer Complaint Behaviour in Australia.

an organisation and once these emotions are experienced by customers it is almost impossible to win them back.

In the middle of the satisfaction scale we see indifference and a lack of strong emotion. This is the dead zone of tolerance. Customers in this space couldn't care less. It is often said that the opposite of love is not hate but indifference, and as far as relationship building is concerned this indifference has to be a concern. The lifetime value of these customers is at risk, and it could go either way. Future positive or negative experiences may shift them to the loyalty or defection ends of the scale. Alternatively they may be simply hostages, bonded by nothing more than inertia and product bundling.

"They have really got their act together – very impressive."

What impresses customers is important to understand. Customers that are impressed are reflecting upon the performance of the organisation itself. The feeling also goes hand-in-hand with being valued and other positive self-referent emotions. Organisations that do impressive things connect with customers' self-worth.

Very Satisfied customers were impressed 9% of the time and it was the 2nd most mentioned emotion. The second most satisfied group of customers were impressed 6% of the time and it ranked 4th, and 4% of the third most satisfied group of customers were impressed, ranking it 6th.

Contrast feeling impressed with feeling delighted. Very Satisfied customers expressed delight 4% of the time making it the 9th most mentioned emotion. The second most satisfied group of customers mentioned delight only 2% of the time and it ranked 18th. Only 1% of the third most satisfied group of customers were delighted and it ranked 24th.

"She was so caring and gave me all the time I needed. It was delightful."

Delight usually describes an unexpected pleasant surprise, a personal warm gesture, an act of generosity. It is hard for organisations to arrange themselves so that they can systematically deliver unexpected, generous, personal gestures. Delight, whilst a powerful differentiator, is quite elusive.

This interpretation of the emotional structure underlying customer responses to a satisfaction scale clearly provides a powerful and essential diagnostic tool, offering insight into the customer experience.

Hostages

Exhibits 4 and 5 show that customers who had low levels of satisfaction still indicated reasonable loyalty. Even the most dissatisfied customers generated indices of 45 for continued purchase, 35 for extended purchase and 34 for recommendation. This supports the notion of customer *inertia* – dissatisfied customers may conclude that the benefits of switching may not be worth the effort and indeed, the alternative may prove to be no better. Further, switching may be infeasible due to contractual obligations (a mobile phone) or the complexity of the total scope of the relationship (a bank).

Jones and Sasser⁵ concluded that customer attitudes, motivations and behaviours can be categorised in four basic ways:

- *Loyalists* are receptive to opportunities to do business and, within the loyalists, the *apostles* are keen to volunteer their warm regard to others.
- *Defectors* are indifferent or inclined to take their business elsewhere, and *adversaries* also want to warn others away.
- *Mercenaries* may be satisfied but they offer little repeat business, and are probably expensive to acquire.
- *Hostages* may not be satisfied but continue to do business because they have little or no alternative, and are possibly expensive to service.

Organisations that decide not to fully satisfy the needs and wants of inert customers or hostages may be pursuing a rational strategy – why invest in superior performance that does not generate bottom line gains? As with any strategy, there are risks.

With a view to understanding more about hostages in particular, we segmented customers by their responses to the satisfaction and continued purchase questions, as shown in Exhibit 7.

Exhibit 7: Segmentation criteria

	Satisfaction	Continued Purchase
Loyalists	High (7-9 on scale)	High (7-9 on scale)
Defectors	Low-Med (1-6 on scale)	Low-Med (1-6 on scale)
Mercenaries	High (7-9 on scale)	Low-Med (1-6 on scale)
Hostages	Low-Med (1-6 on scale)	High (7-9 on scale)

This provided the customer segments shown in Exhibit 8.

Exhibit 8: Customer segments

Loyalists	56%
Defectors	33%
Mercenaries	1%
Hostages	10%

⁵ Jones, T.O., and Sasser, W.E., Why Satisfied Customers Defect, *Harvard Business Review*, November-December 1995, pp 88-99.

Findings and observations

Consistent with our categorisation, the Continued Purchase Index of the hostages was the same as that of the loyalists - 96. The Extended Purchase Index of hostages was a full 21 points lower at 75. Whilst they may be prepared to continue purchasing, they had much less inclination to take up cross-sell or up-sell opportunities offered.

"They don't care about us but what choice have I got?"

Hostages had mixed feelings about the organisation. Their top ten emotions in descending order were satisfied, indifferent, secure, contented, good, pleased, happy, emotionless, disappointed and appreciative. There is a blandness and indifference in this recipe of emotions that makes it hard to identify emotional connections that can be used to develop more responsive business relationships.

62% of the hostages were customers of just three organisations – thus hostages represent between 14% and 26% of these organisations' customers. Even if one in four customers is a hostage there is little room for complacency.

Later we explore in detail the extent to which customer expectations were met, exceeded or not met. We also explore customer contact behaviour when expectations were not met, as well as customer satisfaction with contact handling.

"They're just OK, but I'm locked in."

Hostages were more inclined than the overall group to feel that their expectations were not met – 28% of the hostages compared with 21% of the overall group. Hostages contacted the organisation when their expectations were not met as often as the overall group and their satisfaction with contact handling was comparable with the overall group. The implication is that they may absorb disproportionate customer service resources.

Emotional mace and velcro

Clearly, some emotions have more impact than others. Impressing customers engenders more loyalty than pleasing them, while aggravating customers does more damage than confusing them.

To test the strength of individual emotions, we identified those emotions that at least 30 customers selected when asked how they currently felt. The satisfaction and loyalty indices calculated for customers that felt each emotion were contrasted with those calculated for customers that did not feel that emotion. For example, those customers that currently felt "secure" had a CSI of 85, while those that did not had a CSI of 71, 14 points lower. Exhibit 9 on the next page shows the results. They are ranked in descending order on changes to the Customer Satisfaction Index.

Whilst we focus on the effect of discrete emotions, it should be noted that emotions can and do coincide, with higher order consequences. For instance, feeling powerless and angry can result in hatred whilst feeling excited and delighted is like feeling thrilled.

Observations

This simple yet powerful analysis shows that some emotions have a strong capacity to bind customers to the organisation while others have a strong capacity to repel.

There are a number of emotions that are felt only occasionally that have high positive impact, and are thus excellent differentiators of loyalty. These powerful positive emotions include thrilled, empowered, relieved, important, fulfilled, special and excited.

Aggravated, doubtful, apprehensive, bemused, confused, wary, undecided, blasé and worried are amongst the more powerful, less commonly felt, negative emotions and relationship destroyers.

Some emotions appear to have a particularly strong influence on recommendation intentions. Customers that felt delighted, impressed, thrilled, special, empowered or important appeared particularly keen to share their goodwill.

Exhibit 9: Emotional mace and velcro

	Customers feeling emotion %	Difference on customer satisfaction	Difference on continued purchase	Difference on extended purchase	Difference on recom- mendation
Thrilled	1%	21	13	18	20
Delighted	5%	20	15	20	21
Impressed	13%	19	15	17	21
Empowered	1%	16	12	15	19
Satisfied	32%	15	14	14	17
Reassured	8%	15	13	9	16
Encouraged	4%	15	11	15	14
Grateful	5%	15	11	15	15
Relieved	2%	15	13	13	17
Important	2%	14	13	16	19
Secure	15%	14	13	11	17
Fulfilled	1%	14	10	17	17
Valued	8%	14	12	14	15
Pleased	13%	14	11	12	16
Appreciative	9%	13	11	13	14
Special	1%	13	12	18	20
Excited	2%	13	8	12	10
Happy	10%	13	10	13	15
Appreciated	3%	12	11	12	13
Trusting	5%	12	10	12	13
Respected	4%	12	12	13	15
Comforted	4%	12	9	7	14
Contented	12%	12	11	12	16
Trusted	3%	11	12	13	12
Rewarded	2%	11	9	8	14
Welcomed	7%	11	11	14	14
Proud	3%	10	11	15	16
Surprised	1%	9	6	7	8
Glad	2%	9	9	9	12
Good	10%	7	7	9	11
Calm	3%	5	5	4	6
Optimistic	5%	4	5	4	8
Accepted	2%	3	1	2	0
Wanted	1%	3	2	7	5
Liked	1%	1	1	2	4
Hopeful	4%	-1	1	4	0
Emotionless	6%	-11	-10	-14	-17
Amused	1%	-12	-11	-13	-10
Worried	1%	-12	-8	-10	-13
Indifferent	12%	-14	-12	-15	-19
Blasé	1%	-17	-18	-19	-25
Undecided	1%	-18	-15	-15	-22
Uncertain	2%	-20	-20	-18	-22
Wary	1%	-20	-21	-26	-28
Concerned	2%	-21	-13	-11	-18
Confused	1%	-23	-26	-26	-24
Bemused	1%	-25	-14	-17	-24
Irritated	1%	-29	-26	-25	-32
Apprehensive	1%	-29	-19	-22	-24
Annoyed	4%	-31	-28	-29	-37
Doubtful	1%	-31	-34	-37	-43
Powerless	2%	-31	-24	-27	-35
Unhappy	1%	-33	-32	-30	-35
Disappointed	5%	-34	-26	-25	-35
Frustrated	4%	-34	-27	-27	-36
Let down	3%	-36	-32	-30	-39
Neglected	2%	-39	-34	-32	-41
Exasperated	1%	-40	-30	-28	-41
Displeased	2%	-40	-33	-31	-39
Cheated	2%	-43	-35	-38	-46
Dissatisfied	5%	-44	-38	-37	-47
Aggravated	1%	-46	-39	-36	-48
Angry	2%	-48	-40	-43	-51
Insulted	1%	-50	-43	-44	-56
Disgusted	1%	-56	-52	-49	-58

"I bought it as a surprise for my wife and the sales lady was so helpful in keeping it a secret. It made for a happy occasion."

"The person they sent out irritated me."

Effective customer relationship management

Organisations that strive to exceed or at least meet customer expectations look for rewards in high levels of satisfaction and loyalty. Customers have expectations not only of the products and services they buy, but also of the relationship or experience – the *way* in which the products or services are sold and supported.

In order to understand satisfaction, loyalty and related emotions, we need to understand how customer expectations compare with delivered performance, across the customer experience.

We used a proven framework for evaluating performance across the customer relationship. This framework enabled us to identify:

- How often and to what extent specific customer expectations were exceeded, met and not met.
- The circumstances that motivated customers to contact the organisation when their expectations were not met.
- Organisational performance in customer contact handling and service delivery.

At each of these “moments of truth” organisational performance is measurable in terms of impacts on satisfaction, loyalty, market share at risk and the bottom line.

We overlaid the emotions customers felt at each stage of this framework and the findings are described later.

We commence our description of the top level findings using Exhibit 10 on the next page.

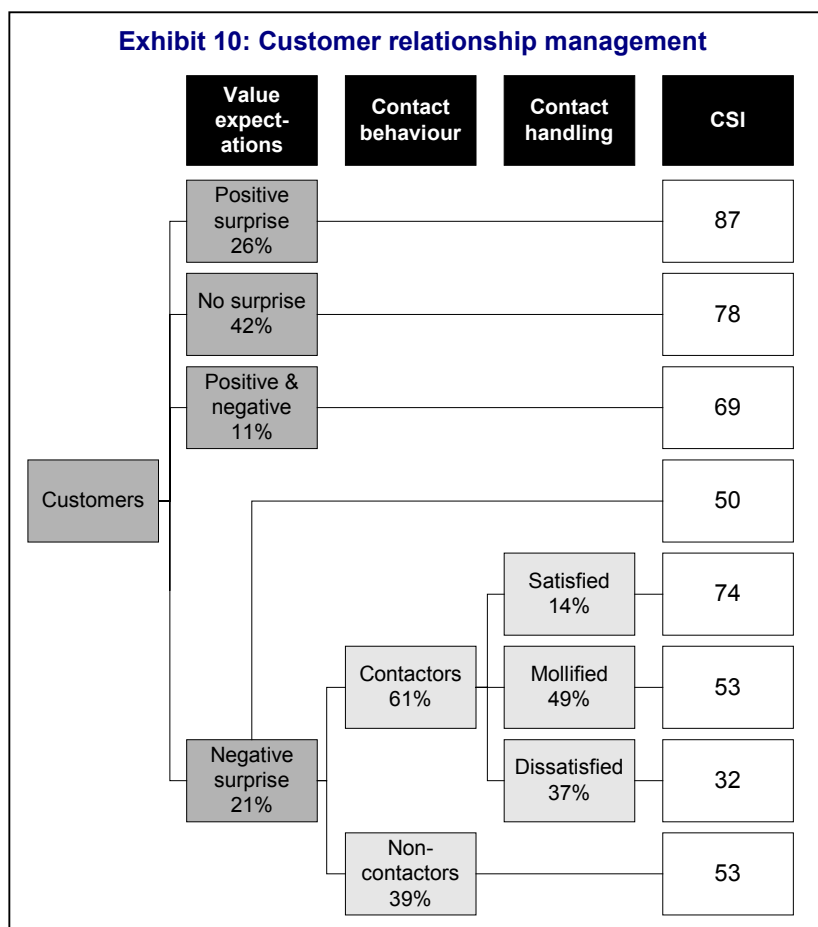
Value expectations

Participating organisations supplied a customised list of key interactions in the relationship. For example, an insurer could have included “Inquiring about taking out insurance”, “Taking out insurance”, “The insurance documentation”, “Making a claim”, “The claim amount paid” and so on.

Customers were asked whether, in their dealings with the organisation over the prior six months, there had been any positive surprises or their expectations had been exceeded in any way. If so, the nature of the positive surprises and the emotions felt at the time were identified⁶.

The *most positive* surprise was identified and its impact on the customer’s trust in the organisation was measured using a nine point scale with Significantly Increased Trust and Significantly Decreased Trust as the end-points.

⁶ Each participant’s specific findings were reported privately.



Similarly, customers were asked whether there had been any negative surprises – issues, concerns or problems, or expectations that had not been met. If so, the nature of the negative surprises and the emotions felt at the time were identified.

The *most negative* surprise was identified and its impact on the customer's trust in the organisation was measured.

In summary:

- 42% of customers had not experienced a positive or a negative surprise during the prior six months.
- 11% experienced at least one positive surprise and at least one negative surprise.
- 26% experienced at least one positive surprise and no negative surprises.
- 21% experienced at least one negative surprise and no positive surprises.

Contact behaviour

Customers were asked to describe how important the most negative surprise was and whether they contacted the organisation about it. If they did not contact the organisation customers were asked for reasons.

61% of the customers experiencing a negative surprise contacted the organisation about their most negative surprise.

No doubt, a substantial proportion of the 11% of customers that experienced both positive and negative surprises would have contacted the organisation about the negative surprises. However, for clarity, the Study focuses on the contact behaviour and satisfaction with contact handling of those customers that only experienced negative surprises.

Contact handling

Customers were asked whether they had been given a final response to their most negative surprise and if so, they were asked to describe their satisfaction with the response, the emotions felt at the time of the response and its impact on their trust in the organisation.

Only 14% of the customers that contacted the organisation about their most negative surprise, were *completely satisfied* with the response.

49% were *mollified*, which is to say they were either:

- Not completely satisfied but the response given was acceptable.
- Not completely satisfied but some response was given.

37% were *dissatisfied*, meaning they were either:

- Not at all satisfied with the response given.
- Not at all satisfied because no response had been given.

Beyond satisfaction

Exhibit 10 shows the Customer Satisfaction Index for each group of customers. Exhibit 11 extends the analysis to show the Continued Purchase Index, Extended Purchase Index and Recommendation Index for each group of customers.

Exhibit 11 also shows the impact of the organisation’s performance on customer trust. These scores are not indices. Customers were asked to indicate the extent to which the organisation’s performance increased or decreased their trust in it. Accordingly a score of 50 can be interpreted to mean “there was no impact on trust” and a score of 100 can be interpreted to mean “my trust could not have been more substantially increased”.

Exhibit 11: How customer relationship management affects satisfaction, loyalty and trust

	Satis- faction CSI	Continued purchase CPI	Extended purchase EPI	Recom- mendation RI	Trust impact
Positive surprise 26%	87	93	85	90	85
No surprise 42%	78	85	73	79	
Positive & negative 11%	69	79	70	71	
Negative surprise 21%	50	62	52	50	30
Satisfied contactors	74	85	73	77	67
Mollified contactors	53	64	56	51	35
Dissatisfied contactors	32	46	36	34	22
Non- contactors	53	66	55	52	34

Observations on satisfaction and loyalty

Managers usually equate delighting customers with exceeding their expectations, or delivering positive surprises. The indices for customers who experienced one or more positive surprises were a solid eight to 12 points higher than the indices for customers with no surprises – customers whose expectations were met.

However, the indices for customers who experienced one or more negative surprises – customers whose expectations were not met – show falls that were two to three times as great. On the whole, failing to meet expectations does much more harm than exceeding expectations does good.

Most of the customers who experienced one or more negative surprises contacted the organisation about their most severe negative surprise.

Disturbingly, only 14% of the customers that contacted the organisation were satisfied with the response. The good news is that their satisfaction and loyalty was restored to the levels of the customers whose expectations had been met.

This is generally consistent with the well-known observation⁷ that “a customer whose problem is resolved satisfactorily is more loyal than a customer without a problem”.

Half of the contactors were mollified. Their satisfaction and loyalty was much the same as that of the customers who did not bother to contact the organisation.

The satisfaction and loyalty of customers who were dissatisfied with the response was severely impaired. This is to be expected – they were let down by the negative surprise and once again during their attempt to resolve it.

“Why can’t you just be more consistent?”

Customers who experienced both positive and negative surprises were less satisfied and loyal than customers experiencing no surprises. This could be because the negative surprises had a greater effect than the positive surprises or because customers penalise inconsistency.

Observations on trust

Trust is complex. Remember that trust is not measured as an index, but by strength of change from a neutral position. Also remember that the impacts of the positive and negative surprises, and the impact of the organisation’s response to the most negative surprise, were evaluated separately.

Positive surprises delivered a 35 point increase in trust whilst negative surprises delivered only a 20 point decrease. The implication is that negative surprises, by themselves, do not damage trust as much as they damage satisfaction and loyalty. Perhaps, at this stage, customers give the organisation the benefit of the doubt on trustworthiness.

⁷ First made in the 1970s by TARP, indicated in the 1995 SOCAP – American Express study and found regularly by Evaluate in privately commissioned studies. Effective handling of customer problems generally restores loyalty and can increase loyalty beyond that of a customer with no problems.

"I realise the problem was just an honest mistake. I trust in you and will remain your valued customer."

At the next stage, some customers contact the organisation regarding their negative surprise, offering an opportunity for explanation and redemption. In the end:

- Satisfied contactors' trust is substantially but it appears not fully restored.
- Mollified contactors would have been left in a similar position if they had not contacted the organisation.
- Dissatisfied contactors' trust in the organisation is damaged very substantially.

Are these findings typical?

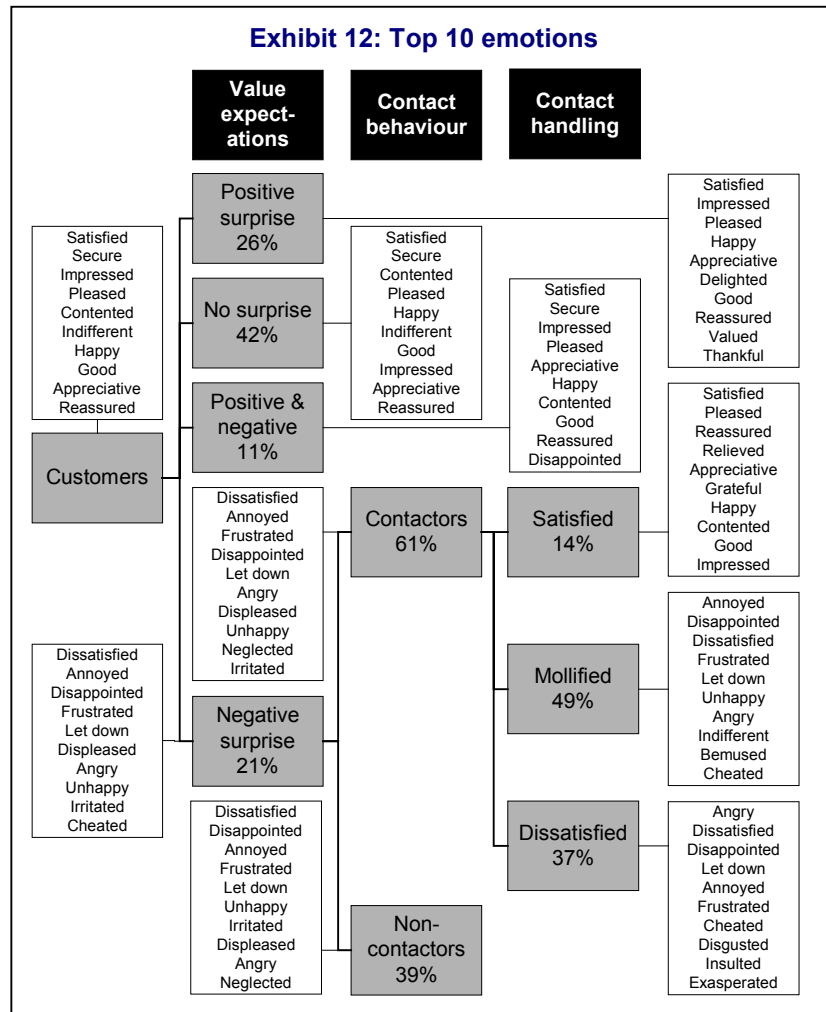
Yes. At the individual participant level we found these relationships:

- For seven of the nine participants, customers who experienced no surprises comprised the largest group. Customers who experienced both positive and negative surprises always comprised the smallest group.
- The group that experienced only positive surprises was larger than the group that experienced only negative surprises, in five cases. The maximum size of the group that experienced positive surprises was 37% and its minimum size was 16%. The maximum size of the group that experienced negative surprises was 32% and its minimum size was 12%.
- Contact behaviour varied considerably. In one organisation as many as 89% of customers experiencing a negative surprise contacted the organisation. The smallest proportion of contactors was 37%.
- In all cases, satisfied contactors were in the minority. The largest proportion of satisfied contactors was only 27%.
- Relationships with satisfied contactors were restored. In eight cases their satisfaction index was greater than, or within three points of, that of customers experiencing no surprises.

Other Evaluate studies including the 1995 SOCAP – American Express Study are generally consistent with these findings.

The emotional mine-field

When we overlay emotions onto this framework it resonates. Exhibit 12 shows the top 10 emotions in descending order of mention, at each key stage.



Value expectations

It is easy to see how customer expectations and organisational performance intersect to affect customers' emotions, and how emotions influence satisfaction and loyalty.

"They exceeded my expectations. I have no regrets."

Customers experiencing a positive surprise expressed strongly self-referent emotions consistent with the very highest levels of satisfaction and loyalty. They were inclined to be delighted, impressed and reassured.

Customers whose expectations had been met without surprise expressed more mainstream emotions consistent with mainstream levels of satisfaction and loyalty.

Customers experiencing both positive and negative surprises had mixed feelings – some were impressed while some were disappointed.

"This is an appalling way to treat your customers."

"Your organisation is dishonest."

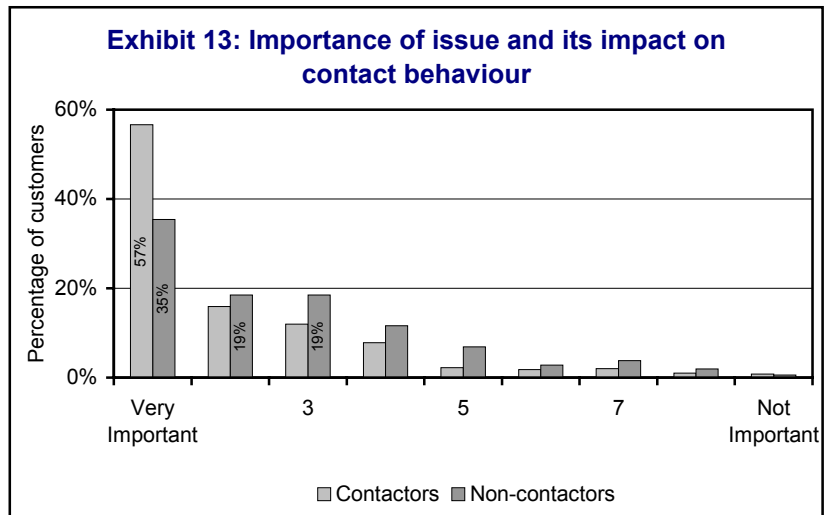
The most compelling findings relate to those customers who experienced negative surprises. As shown already, negative surprises do more harm to satisfaction and loyalty than positive surprises do good. Customers experiencing negative surprises had quite adverse feelings including annoyance, disappointment, frustration and anger.

Contact behaviour – the disappointed and disengaged

39% of the customers that experienced a negative surprise did not contact the organisation about their most severe negative surprise.

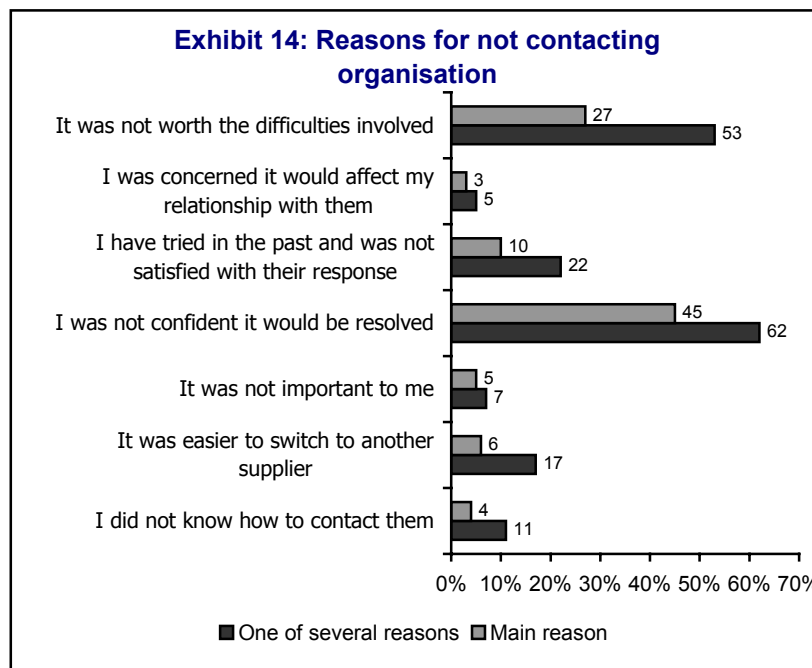
What influences a customer's decision about making contact with an organisation when faced with a negative surprise?

Perhaps the contactors faced more important or more critical negative surprises than the non-contactors? We asked customers to rate the importance of their most negative surprise on a nine point scale with Very Important and Not Important as the end-points. We then compared contact behaviour with perceived importance. Exhibit 13 sets out the findings.



Predictably, over half of the contactors felt their negative surprise was "Very Important". What is of real interest is that over one-third of the non-contactors felt that their negative surprise was Very Important and almost three-quarters gave it a top three rating. It was less important certainly, but by no means unimportant.

Why didn't they contact the organisation? Exhibit 14 sets out the reasons they gave.



"What's the point?"

In the main, the non-contactors were not all that optimistic that a resolution would be achieved, perhaps based on past experience, or that the results would be worth the effort. Perhaps non-contactors made an informed appraisal about the "return on the contact investment" and we can take these responses at face value.

However, it is also likely that these responses offer subtle insights into how the non-contactors were coping with their negative surprises.

Emotional scripts

To examine coping behaviour we need to introduce the concept of emotional scripts⁸.

When you ask people about their emotional experiences with products, services and brands, they naturally tell stories. These stories follow a very similar narrative structure or script. This script describes:

- A particular *antecedent* or cause for the emotion.
- A specific *thought* or *appraisal* of why they felt the emotion.
- A specific *feeling*.
- A specific *action tendency* or what they would like to do.
- A specific *action* or what they did.
- A specific *goal* of what they wanted to achieve.

An emotion is all of these things. In other words, the script defines the emotion.

⁸ Edwardson, M., (1998), Measuring Emotions in Service Encounters, *Australian Journal of Market Research*, 6, 2, pp 34-48.

The non-contactors had these things in common:

- They had an experience that did not meet their expectations that was important to them – the antecedent.
- They did not make contact – the action, or in this case, the inaction.
- Their goal was to put the experience behind them – what other goal could they have?

Action tendencies

While they had similar antecedents, actions and goals, the non-contactors probably differed in their action tendencies. Action tendencies also include how people cope with their emotional experiences. Whilst we did not directly examine coping behaviour in this Study, Exhibit 14 gives some insights. There are eight coping behaviours to consider:

- Confrontive coping – engaging the cause of the emotion. Contacting the organisation to sort it out. Obviously, the non-contactors did not do this.
- Distancing – putting space between themselves and the issue. “It was easier to switch to another supplier.”
- Escape-avoidance – not merely distancing but actively avoiding conflict. “It was not worth the difficulties involved.” “I did not know how to contact the organisation.”
- Self control – pulling back to remain in control, perhaps because cultural or social norms dictate moderate behaviour. “It was not important to me.”
- Seeking social support, one way or another – discussing the issue with friends, or avoiding the risk of damaging the relationship with the organisation. “I was concerned it would affect my relationship with them.”
- Accepting responsibility – sometimes people accept responsibility for what happened and this can lessen the intensity of what happened or may even leave the customer feeling regretful.
- Planful problem solving – seeking through the detail to solve the problem, in a rational and controlled way. “I was not confident it would be resolved.” “I have tried in the past and was not satisfied with their response.”
- Positive reappraisal – looking on the bright side. “It was not important to me.”

The action tendencies or coping mechanisms we have described are all consistent with low arousal emotions like disappointment, leading to disengagement.

"I am not a liar, but it was not worth getting upset and angry about. I just cut my losses and moved on."

To reinforce this point, there is another thing that the non-contactors had in common. Exhibit 12 shows that, compared with the contactors, non-contactors were more inclined to *feel* disappointed than angry. Feeling angry and feeling disappointed are fundamentally different experiences. Anger is driven by *thoughts* of injustice and a desire for retribution. In disappointment there is a deep sense of expectations not being realised and a desire to simply disengage.

"I really felt let down, depressed and hopeless after this happened."

We have taken the effort to examine disappointment in detail because disappointing customers is enormously risky and damaging. Many customers experience disappointment. Disappointment eats away at satisfaction and loyalty.

It is hard to identify disappointed customers – many are inclined to keep their disappointment to themselves.

It is hard to know what to do about disappointment – disappointed customers aren't asking for anything.

Disappointment is insidious.

Contact handling – the disconnection

"I expected to feel like I was a pest but she made me feel like I was the only call she needed to take."

Customers who contacted the organisation about their most negative surprise and were completely satisfied with the response felt reassured, relieved, grateful and impressed, amongst other emotions. Their satisfaction and loyalty was restored to the levels of customers who had not experienced surprises. This is the good news. The bad news is that only 14% of the contactors were completely satisfied, as Exhibit 12 shows.

86% of the customers who made contact about their most negative surprise had highly adverse feelings about their experience. Customer relationships had become a mine-field, with customers feeling exasperated, insulted, disgusted, cheated and angry. The presence of these self-referent negative emotions show that all deposits of emotional equity had been withdrawn. Relationships with these customers will probably never be restored.

"The follow up call was very reassuring."

Now, these were not extreme situations evident in only one or two organisations. These emotional outcomes were consistent, across all participants. And the problem was not confined to a handful of customers. Since 21% of customers faced negative surprises and 61% of them contacted the organisation about their most negative surprise, with only 14% being fully satisfied, then 11% of customers – *one in nine* – had crossed the emotional mine-field⁹.

⁹ We can add to that the damage caused to customers who had experienced both positive and negative surprises, regarding their negative surprises, and the damage caused to non-contactors.

"The rep was very personable and polite but was unable to help. I felt a bit sorry for him."

Clearly, organisations face a profound problem when their customer service delivery produces emotional outcomes that are so deeply at odds with their marketing and brand development efforts.

In this Study we did not examine the extent to which satisfaction was driven by the response itself or by the *way* in which the response was given. Evaluate and others have examined this issue many times and it is clear that customers are well prepared to accept unfavourable responses provided the response is given competently – customers value attributes like courtesy, promptness, clarity and authority.

"You were totally unresponsive and I felt abandoned... who cares attitude."

"That's against the rules" does much more harm than "I'm sorry, Mr Jones, but I can't approve your request because...", but in both cases the answer is no.

So, if organisations can't change the rules to give customers what they want, increased effort must be given to improving the way in which the interaction is handled.

Organisations have talked about becoming emotionally intelligent for a few years now. The time has come.

"I was overcharged, mucked about and treated like a fool."

Most customer facing staff have a reasonable idea about how to handle anger. If not, they should. Anger is not hard to identify and training in anger defusion and dealing with "difficult" customers is reasonably commonplace.

More problematic is how to identify and manage emotions like disappointment and feelings of being cheated and insulted. Front line staff need to be supported and coached to recognise cues that signal these emotions. A customer who doesn't sound angry is not devoid of emotion. Rather, a moderated voice may indicate low arousal disappointment or negative self-referent emotions.

"I was made to feel like a criminal for missing a payment."

These findings are particularly interesting when we think about their implications for customer facing staff including, in particular, call centre staff. The challenges of working in call centres are well known and include repetition, inflexibility and ever-present monitoring. How demanding must it be, to be presented with customers that in many cases feel annoyed, angry, disappointed and frustrated? How discouraging must it be when the staff member knows that the most likely outcome is that the customer will go away feeling even worse? Customer facing staff pay a high emotional toll.

"Your staff member was rude, but I kept my cool."

The Researchers wish to remind readers that these findings relate to contacts regarding customers' most negative surprises and it is acknowledged that there are many other reasons why customers and organisations communicate.

No time for a honeymoon

"Your promotional brochures don't match reality."

Advertising and brand building rely on emotional imagery intended to entice new customers. Customers engage with an organisation with emotional expectations of the experience. One would expect the first few months of being a new customer to be infused with high-end positive emotions developed through advertising or previous impressions of the brand. Then, over time as reality replaces anticipations, customers might re-evaluate their impressions.

We sought to distinguish between the emotions of new and longer term customers for two reasons:

- To identify the branded emotions of each participating organisation that are marketing driven¹⁰.
- To identify whether new customers experienced a honeymoon period.

We compared the satisfaction, loyalty and emotions of new customers with those of longer term customers, for six participants¹¹ that provided distinctive customer lists¹². Exhibit 15 presents the findings.

Exhibit 15: New v longer term customers

	New	Longer term
Customer Satisfaction Index	75	75
Continued Purchase Index	83	84
Extended Purchase Index	73	73
Recommendation Index	77	77
Top 10 emotions	Satisfied	Satisfied
	Impressed	Secure
	Secure	Contented
	Pleased	Pleased
	Indifferent	Impressed
	Happy	Indifferent
	Contented	Reassured
	Good	Happy
	Valued	Good
	Welcomed	Appreciative

The indices were very similar. Newer customers did not view the organisations through rose coloured glasses. Indeed, longer term customers were more likely to feel secure, contented, reassured and appreciative – emotions reflecting an evolving or maturing relationship.

¹⁰ These were reported privately.

¹¹ The Government participant was one of the participants excluded.

¹² Ideally, new customers could be surveyed and after time has elapsed, the same customers could be surveyed again. This was not feasible in this Study.

The similarity of the two groups of customers may have been due to differences at the participant level that were disguised by averaging.

Thus, for each participant, we looked for differences between new and longer term customers in:

- Satisfaction, loyalty and emotions.
- The incidence of positive and negative surprises, contact behaviour and satisfaction with contact handling.

For each participant, the two customer groups generally remained similar.

In only one organisation were there substantial differences and its circumstances may be unusual. It presented its new customers with a high number of negative surprises which it did not resolve particularly well. As a result, all satisfaction and loyalty indices for its new customers were low and indifference, disappointment and hope were the prevailing emotional themes. Longer term customers were more engaged, and they felt more satisfied, contented, appreciative and valued. Notably, they also felt wary.

Observations

We saw earlier how similar and narrow organisations' emotion profiles actually are. In their everyday experiences customers show little emotional differentiation between and within categories. The findings also showed that there are a myriad of unclaimed emotions that organisations can use to lift their branded experience out of the "me-too" group. Unfortunately at present it would seem that not only are brands emotionally poorly differentiated in the eyes of customers but any honeymoon effect that could accrue from being a new customer is lost very quickly, if a honeymoon existed at all.

First impressions count. New customers are immersed in the best and the worst that the organisation has to offer and they quickly reach their own conclusions about the promises and realities of the brand.

The maxim of the quality culture is reinforced – *do it right the first time.*

Management implications

"The staff were just so warm, welcoming, friendly and helpful. Oh, and trusting. The complete opposite of those !@#\$\$% at ..."

This Study has clearly shown that traditional evaluations of customer satisfaction and loyalty need to be extended to consider the broader range of emotions that are experienced by customers.

Organisations that are competent in understanding and delivering their customers' desired emotional experiences can expect to enjoy direct and tangible bottom line benefits. The linkages between emotional experiences and loyalty are clear.

At its essence, the management challenge is to truly match customers' everyday experiences of products and services and service delivery, with the expectations created by advertising, sales and service promises and branding.

No-one would suggest that this is a simple challenge to face. Where should management start? This 10 point to-do list is a good place:

- **Know and own your unique emotional space.** We showed how similar organisations' emotional profiles are and we showed that there are a number of high impact emotions or combinations that are there to be claimed. Decide which differentiating emotions you want to own and build your business around them. Convey their essence in your advertising. Appeal to them in your sales propositions.
- **Build trust.** Organisations that are trusted have a sustainable competitive advantage. Look at the *promises* you make, examine your ability to deliver on them, have integrity, be seen to have integrity and finally be seen to genuinely have the customer's interests at heart. Customer feelings of security and reassurance are indications of steps in the right direction. Show trust in your customers. Perhaps thinking about opportunities to engage customers without over-emphasis on rules and regulations and penalties could be a start.
- **Completely satisfy your customers.** Merely satisfying them is not enough. Loyalty can be relied on only when customers express the highest levels of satisfaction. Include in your customer satisfaction tracking a measure of how many customers are completely satisfied. Promote the importance of this measure.
- **Peel back the layers of the satisfaction scale.** Identify the positive and negative self-referent emotions that are experienced by the very satisfied and the very dissatisfied. Identify the dangerous indifferent emotions that are experienced by customers in the dead zone of tolerance. Expand your satisfaction tracking to ask questions about emotional experiences. Find out the circumstances that give rise to particular emotional experiences.

"This survey. Nice of you to ask!"

Don't be afraid to ask customers about how they feel. The Researchers asked customers whether they had experienced any positive surprises lately. Our favourite response is quoted at left.

- **Understand customer expectations.** Fundamentally, you need to align customers' day-to-day experiences of your products and services and service delivery, with the promises and expectations you build through marketing and sales activities. What are you promising and what do customers expect? What are your competitors promising?
- **Understand the gap between expectations and reality.** You need to identify the specific circumstances in which customer expectations are exceeded, met and not met, across the whole scope of the customer experience. And you need to distinguish between frequency and severity. Some problems can arise frequently without doing much harm. You need to identify those that undermine customers' feelings of self-worth – the negative self-referent emotions that destroy satisfaction and loyalty. Conversely, you also need to identify the surprises that encourage emotional – and financial – bonding.
- **Focus first on reducing the negative surprises.** We showed that negative surprises do more harm to satisfaction and loyalty than positive surprises do good. Negative surprises provoke relationship destroying self-referent emotions. Allocate improvement resources to the areas where your performance dissatisfies. This is where you will find your best return on investment.
- **Actively solicit customer contact.** We showed how much damage is caused by disappointment and disengagement and how hard disappointment and disengagement are to detect. Give disappointed customers your ear. You need to work out ways in which customers can air their disappointments, even when they want nothing done about them. Organisations need to learn how to pick up the subtle cues of negative emotions beyond anger.
- **Makes sure contactors are completely satisfied.** Contactors whose problems are resolved satisfactorily are as loyal as customers who did not have a problem. Unfortunately, most contactors are less than completely satisfied and their loyalty is severely damaged. If you can change your policies and procedures to give them what they want, that is fine. More realistically, you need to get better at understanding how customers feel when they contact you, and what you can do to help them feel better. You need to become emotionally intelligent about the depth of customer emotions and how to respond to and manage the customer experience. This requires staff training and support.
- **Do it right the first time.** The honeymoon is cancelled.

Organisations that make the effort to build an understanding of customer emotions into their customer experience strategy will take an unassailable lead in building competitive advantage.

Appendix – Emotions available for selection in the survey

Positive emotions		Negative emotions	
Emotionless	Appreciative	Bemused	Defeated
Indifferent	Glad	Blase	Dismayed
	Grateful	Emotionless	Helpless
Elated	Relieved	Indifferent	Hopeless
Excited	Thankful		Powerless
Exhilarated		Guilty	Threatened
Thrilled	Reassured		
	Secure	Angry	Bewildered
Delighted	Trusting	Enraged	Confused
Ecstatic		Furious	Insecure
Impressed	Accepted	Hateful	Uncertain
	Appreciated	Hostile	Worried
Astonished	Important	Irate	
Amazed	Liked		Hysterical
Amused	Loved	Aggravated	Shocked
Surprised	Respected	Agitated	
	Rewarded	Annoyed	Concerned
Contented	Special	Exasperated	Doubtful
Fulfilled	Trusted	Frustrated	Hesitant
Good	Valued	Impatient	Undecided
Happy	Wanted	Irritated	Wary
Pleased	Welcomed		
Satisfied		Dissatisfied	Apprehensive
	Calm	Displeased	Anxious
Moved	Calmed	Unhappy	Distressed
Proud	Comforted		Edgy
Touched		Disappointed	Fearful
Warm		Let down	Frightened
		Regretful	Nervous
Empowered			Restless
Encouraged		Bad	Tense
Hopeful		Dejected	Uneasy
Optimistic		Depressed	Unsettled
		Hurt	
		Miserable	Cheated
		Sad	Disgusted
		Upset	Embarrassed
			Humiliated
			Insulted
			Neglected



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