CUSTOMER EXPERIENCE MEASUREMENT

A Q&A with John Goodman, Vice Chairman, Customer Care Measurement & Consulting

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IF YOU HAVE BEEN IN THE CUSTOMER SERVICE PROFESSION FOR ANY LENGTH OF TIME, THEN YOU'RE PROBABLY FAMILIAR WITH JOHN GOODMAN'S WORK. He is a customer service pioneer who has spent nearly four decades researching the customer experience. His leading-edge research on consumer complaint behavior changed the way business leaders viewed customer service and its impact on the bottom line.

We recently spoke with Goodman about his work, customer care measurement and exciting customer research projects that are under way.

Your work on consumer complaint behavior in the 1970s for the White House Office of Consumer Affairs was groundbreaking. What was the most surprising aftermath of that study?

The two biggest impacts in the market place were the adoption of 800 numbers for service (*Businessweek* gave us credit for that impact) and corporate recognition that service was a profit center.

For me, there were three surprises about where customer care has and has not gone. First, the original study is still cited quite often, even 40 years later, despite the fact that Customer Care Measurement & Consulting (CCMC) has updated these data a half-dozen times since then—and will update it again this summer in the latest version of the National Rage Study ("Fighting Back," *Wall Street Journal*, Dec. 3, 2011). This study replicates the White House Study's analysis of customer complaint and word-of-mouth behavior.

The second surprise is that a majority of both service and finance executives are still unaware of the basic math of service profitability calculations; that is, for every five problems handled, service generates as much revenue as winning one new customer. For products or services of even moderate value, this implies an ROI of hundreds of percent. Most executives have never done such calculations.

Third, call centers don't invest in a strong Voice of the Customer analyst and, as a result, are in a continuous firefighting mode that quickly burns out good managers and staff. You can't just handle calls. You need to take the lead in advising and fixing the rest of the company—for self-preservation if nothing else.

What is the biggest customer care measurement challenge that organizations are facing today?

Less than half of contact centers measure success and customer satisfaction by type of contact and they still focus only on averages. Every call center gets 50%-70% simple calls that can be handled satisfactorily by even a mediocre process and representative. This means that every center starts with ~60% top-box ratings, so almost anyone can get an average rating of 80%-85%. You should be focusing on the 10%-25% of contacts where the customer is not completely happy and identify better ways of handling those contacts. I believe that the reason that an 85% is considered acceptable is that everyone harkens back to high school where an 85% was pretty good. You aren't in high school any more and it shouldn't be acceptable.

What is the biggest misconception that organizations have about customer experience research?

Customer experience is still viewed as customer service, but it is dramatically more than that. It also includes setting expectations and, when appropriate, making routine transactions memorable and value-added. Let me give an example of each:

- We find that 30% of dissatisfaction is due to poorly set expectations—often by sales and marketing. Rather than the call center having to dig out of the hole of poorly set expectations, the call center director should show the out-of-pocket cost AND the revenue damage of that behavior to create an economic imperative for marketing to clean up its act. We suggest an

"Index of Marketing Quality" that quantifies the cost of incorrect customer expectations.

- In a catalog company, a 30-second tailored schmooze to create an emotional connection that is beyond the basic transaction can raise loyalty by 20%-25%. This can't be cookie-cutter, though, and requires a thinking representative with latitude.

Can you tell us about your recent career move to Vice Chairman of Customer Care Measurement & Consulting (CCMC)?

My move was to rejoin my former partner, Marc Grainer, who I worked with at TARP for 25 years, and who founded CCMC more than 10 years ago with Scott Broetzmann. I'll be leading a research and consulting practice to produce new paradigms and innovations in the areas of Voice of the Customer, emotional connection, economic justification of service, and factors leading to the success of both service and customer experience directors.

What will you focus on for the next 12-24 months?

I'll be launching the sixth wave of our National Customer Rage study which will be released in October. In addition to providing longitudinal data on complaint behavior and outcomes, the 2013 study will explore the impact of customer education and Psychic Pizza (my term for proactive service) and how problem experience, multipliers, complaint channels and word-of-mouth patterns are changing. From that we'll update the economic models for linkage of service to WOM and bottom line for use by service, quality, marketing and finance people.

I understand you have a new book in progress.

Yes, it is *Customer Experience 3.0*, to be released by the AMA in September. The premise is the notion that new technologies—smartphones, mobile apps, customer relationship management (CRM) systems, social media, the cloud, analytics, and virtually ubiquitous broadband access—are dramatically altering how services are delivered. The developments are as profound as the advent of 800 numbers in the 1980s.

Unfortunately, most organizations try to harness technology without updating their approach to managing either the technology or the customer experience. Outdated organizational structures compound the problem, with technology and customer service often managed by different parts of the organization. For example, key channels like the website and mobile applications are typically managed by IT—not known for having a strong focus on customer service.

I provide a strategy for creating an end-to-end customer experience that will trump internal politics by showing quantitatively how each function benefits from a unified customer experience, often led by the service executive. *Customer Experience 3.0* will advance my framework for showing that great service is almost always cheaper to deliver than just good service. The payoff calculation not only addresses revenue and profit but also word of mouth, word of mouse on the web, emotional connection and risk reduction.

You have suggested that every company should "deliver Psychic Pizza." What does that mean?

It means providing proactive, anticipatory service. A good example is our shared experience of waiting at home for the cable guy. New Jersey Natural Gas now gets your preferred channel when you make the appointment for a home visit and sends you a message at 2:30 the day before to say that the field technician is really coming tomorrow and will call at 8:15 a.m. to tell you where you are in the queue. Then he calls and says you're fourth so he'll be there at 11 a.m., thereby giving you back two-and-a-half hours of your life. The company avoids the followup calls of, "Is he really coming?" and "When is he coming?" ◉

About Contact Center Pipeline

Contact Center Pipeline is a monthly instructional journal focused on driving business success through effective contact center direction and decisions. Each issue contains informative articles, case studies, best practices, research and coverage of trends that impact the customer experience. Our writers and contributors are well-known industry experts with a unique understanding of how to optimize resources and maximize the value the organization provides to its customers.

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