exploiting customer dissatisfaction

Or how NOT TO annoy your customers

By Patrick Barwise and Seán Meehan

Customer dissatisfaction undermines brand equity whenever the brand fails to deliver something important to the customer. Usually, this is something basic that the customer took for granted—something that was once an innovation and a source of positive satisfaction, but which customers now simply expect as part of the standard product or service.

Consider automated teller machines. Today, ATMs are a commodity. They no longer distinguish one bank from another and are not a significant source of positive customer satisfaction—yet they can certainly cause dissatisfaction. Imagine you are on a business trip in an unfamiliar city and find that the only ATM near your hotel is out of order, out of cash or has a problem with your card. At that moment, how do you feel about that bank? Grateful to it for providing a conveniently located ATM? Absolutely not: You feel enraged and let down.
Contrast this with the same situation where the ATM works—as in, you get the cash. How does that feel? Has your attitude toward the bank changed as a result of the transaction? Not at all. Chances are, minutes after getting the cash, you’ll have forgotten all about the transaction.

Think about the impact on the brand. An ATM that works will do little if anything to increase customer satisfaction and strengthen brand equity apart from reinforcing awareness. But one that doesn’t work will create dissatisfaction and may perceptibly damage the brand.

It’s in the nature of competitive markets that innovations such as ATMs get copied and, over time, become part of the basics. Safety and reliability features of cars like airbags and anti-lock braking systems are another example. The mistake is then to assume that they no longer matter. True, they have limited potential to increase brand equity, but they have significant potential to reduce it. And, despite the fact that every CEO knows the importance of customer focus, firms still routinely let their customers down, leading to widespread customer dissatisfaction and large, persistent variations between competitors on standardized satisfaction scores such as Net Promoter Score and the American Customer Satisfaction Index.

A 2004 study by McKinsey & Company management consultants and the Better Business Bureau found that the worst-performing U.S. mobile operator received 5.7 times as many complaints per million subscribers as the best operator. (See Joseph B. Myers, Andrew D. Pickersgill and Evan S. Van Metre (2004), “Steering Customers to the Right Channels,” McKinsey Quarterly, November.) These are not 10, 20 or 30 percent differences, they are huge differences. And if customers take the trouble to complain, in most cases they are truly annoyed and likely to tell other people. Further, for every customer who complains, there are likely to be many more who are dissatisfied and, again, telling others about it.

Sometimes, customers’ annoyance drives them to extremes. In 2004, 26-year-old Ashley Gibbons had been put on hold for an hour while trying to order a broadband Internet connection from U.K. cable company NTL. While randomly pressing keys on his phone, he stumbled across the option to change NTL’s recorded message—the one that interrupts the soothing music every two minutes to say something like, “Please wait. Your call is important to us. One of our operators will be with you shortly.” He left the following message, heard repeatedly by all the other customers kept on hold over the next hour or so:

“Hello, you are through to NTL customer services.
We don’t give a ---- about you, basically, and we are not going to handle any of your complaints. Just ---- off and leave us alone. Get a life.”


It is a dangerous myth that, in today’s competitive markets, the basics—like safe and reliable cars, accurate billing, ATMs that work and answering the phone promptly—have become mere “table stakes.” The myth is that all serious competitors have to provide these basics, so they are no longer a source of differentiation and competitive advantage. In reality, because reliably delivering the basics is so difficult, firms continue to vary significantly in their ability to do so and, because customers care so much about these issues when the company fails to provide them, they can indeed be a source of sustainable competitive advantage for the better managed firms. This was the central argument of our earlier book “Simply Better: Winning and Keeping Customers by Delivering What Matters Most” (Harvard Business School Press, 2004), winner of the 2005 Berry-AMA Book Prize.

In fact, almost all successful companies are, most of the time, better than their competitors at not annoying and disappointing their customers. Of course that isn’t their primary mission, but it’s a key part of the hidden foundation on which
between improving your delivery of the basics and innovating your brand promise to meet customer expectations. You’ll almost certainly need to fix a number of basic things in order to ensure that you’re reliably delivering the current promise builds the trust that lies at the heart of every successful brand as well as a culture based on customer focus, openness, high standards and attention to detail. These, in turn, reinforce the brand and keep it relevant.

why is it so difficult?

Intellectually, there is nothing hard about any of this. It’s plain common sense that, before you start doing difficult and risky things like radical innovation, you should first do the easier things that are almost guaranteed to increase long-term profits, such as not annoying your customers. But the fact that companies routinely let their customers down on the basics suggests that putting these ideas into practice is not at all easy. Why?

Some of the issues are psychological and political. One underlying problem is that taking the customer’s perspective rather than one’s own—including what Robert Burns called the “giftie” of seeing ourselves as others see us—goes somewhat against human nature. Our own and our colleagues’ lives and problems inevitably capture more of our attention than those of our clients and customers. As an adman told one of us in an unguarded moment, “You do know everyone hates the client, don’t you?” An exaggeration, but not a complete fiction.

We have no recommendations for changing human nature but there is an important practical implication here because the extent to which people are interested in helping other people seems to vary significantly between individuals, depending on their genes, early upbringing and so on. The recommendation is to recruit people with the right values, even if others have more relevant experience and knowledge.

For instance, First Direct, the U.K.’s first telephone bank, launched with a brand promise based on superior customer experience. For its call center—the main customer touch point—it therefore primarily recruited “people people” such as teachers and nurses, rather than people with previous experience in retail banking.

To make this work, it then needed to train its recruits in the necessary knowledge and skills, support them with outstanding IT systems in order to limit how much they needed to know and provide excellent first-level supervisors to handle difficult cases.

Customer satisfaction “all-star” Zappos, the online shoe store acquired by Amazon, takes this a step further. Having recruited what it believes are the right people, it offers all trainees $2,000 if they wish to walk out at the end of a two-week induction program.

Obviously, this is a question of balance—law firms need lawyers who are technically first class as well as lawyers with good client skills (and, ideally, some strong on both dimensions). But the general idea that it’s easier to teach people new knowledge and skills rather than to change their basic values and personality still holds.

Other psychological and political reasons why companies keep letting down their customers include the following:

• It’s more inspiring to work on things that are new, exciting and, potentially, even newsworthy than on minor improvements in order to annoy customers less.

• By definition, whenever customers are dissatisfied, either someone or some system is at fault, or could at least have performed better. In addition, dealing with dissatisfied customers is rarely fun.

By bringing a range of data to bear on the problem, market researchers can play a key role in helping companies get around these problems, tackle the drivers of customer dissatisfaction.
and build trust and brand equity, the foundation for long-term organic profit growth.

**acquire and use a range of data**

Net Promoter Score, as a metric of customer equity, has gained a valuable seat at the top table of successful companies such as Apple, Starbucks, GE, Cisco and Lego. The CEO of Aggreko, the global leader in temporary power supply (e.g., currently helping fill the gap in electricity supply in Japan caused by the problems at the Fukushima nuclear plant), found that it gave him exactly what he needed to bring customer satisfaction and, especially, dissatisfaction into his numbers-based management system.

Of course the NPS numbers themselves don’t do anything to improve customer experience. What they and similar metrics do is to highlight top management which units have an above-normal proportion of detractors in each reporting period. The improvement process then works mainly because the managers of those units work their butts off to find out why some of their customers are unhappy (principally by talking to them directly in a B-to-B company like Aggreko) and then do whatever they can to reduce or remove the source of the problem. They also talk to their bosses to discuss the data, the problems and the solutions, especially if the problem is company-wide, as with, say, invoicing problems. In Aggreko, many of the issues can be addressed locally for the following reasons:

- Local management is close to its customers (enabling it to uncover the sources of dissatisfaction quickly with no help from head office) and has most of the resources to be able to respond.
- The tough, numbers-driven corporate culture ensures that they do so promptly.

In most companies, especially B-to-C companies, management needs a wider range of formal data to flag up problems, diagnose their causes and support follow-up. The role of NPS and other measures of customer satisfaction/dissatisfaction is still the same as at Aggreko—to provide a flashing light, drawing attention to a problem and highlighting where it is within the business. The next stage is to collect and analyze more diagnostic data to uncover what is causing the problem, and then to look at how it can be fixed. It is at this follow-up stage that one needs more detailed and context-specific data, analysis and planning.

This distinction between NPS and more diagnostic measures sounds obvious but is widely misunderstood. Most market researchers hate NPS. This partly reflects the way Fred Reichheld (Bain) positioned it when he launched it, but it also says something about what’s wrong with many market researchers.

**why market researchers hate NPS and why they’re wrong**

Market researchers hate NPS because they say it wastes information, lacks diagnostic value and fails to perform as advertised:

- It wastes information because it treats all “detractors” (scoring anything from zero to 6) identically, and similarly for the “passives” (scoring 7 or 8) and the “promoters” (scoring 9 or 10). In contrast, a traditional average would use all the information.

  - It reduces everything to a single number that tells us nothing about what is driving customer satisfaction/dissatisfaction.
  - It does not, as sometimes claimed, predict organic growth better than traditional measures of customer satisfaction.


All these criticisms are correct but, in our view, miss the point. NPS and other simple top-line measures of customer satisfaction/dissatisfaction are a “cattle prod” to jolt the organization—or a particular unit within it—into action. NPS is well-designed for this purpose for these reasons:

- It’s a single number that provides a common language that everyone can understand.
- Its potential range is from -100 to +100: The actual numbers vary widely, unlike a typical 5-point satisfaction scale where, in practice, most scores fall within a range from about 3.0 to 4.5, which sounds much less dramatic.
- It uses emotive terms like “promoter” and “detractor,” which further help to capture people’s imagination.

To drive change, you need to engage people emotionally as well as rationally. NPS is well-suited to achieving this. That’s why so many leading companies have embraced it. You can achieve the same effect using any satisfaction/dissatisfaction scale provided you adopt a similarly hard line on what constitutes a promoter or detractor. For instance, with a typical 1-to-5 scale, you can use (percent saying 5) minus (percent saying 1, 2 or 3). People will almost certainly try to persuade you to soften this (e.g., by including the 4s as promoters and/or treating the 3s as passives). Just say no.

**why researchers are also right**

Where market researchers are right is in emphasizing the need to supplement the initial satisfaction score “cattle prod,” wherever it comes from—NPS, ACSI, Gallup or other sources. Managers need guidance after they’ve gotten over the prod. At this point, they need richer data, both quantitative and qualitative, to explain why customers are dissatisfied.

Many of the relevant measures are likely to be highly...
context-specific, perhaps requiring an ad hoc research project. Others will be more general, while still helping to address the "why?" question. For instance, for retailers, the standard ACSI metrics include (in addition to the overall satisfaction index) several measures of customer expectations, perceived product and service quality, value for money, complaint handling and so on. (See www.theacsi.org.)

To supplement formal market research, other sources of relevant insight include direct customer contact (i.e., face to face, by phone and online) in which managers and sales and service people talk to individual customers and ask about problems and how the company could deliver better on its brand promise, be easier to do business with and ensure that the promise stays relevant.

Increasingly, executives are going further than this, spending time on their own company’s shop floor or even on the shop floor of a B-to-B customer, in order to get a fuller understanding of the practical day-to-day issues. Every executive member of the Tesco board still spends a week a year on the shop floor, stacking shelves and serving customers. They don’t always enjoy it but it tells them a lot about what’s really happening on the shop floor, including the weaknesses of their internal systems and the mood among consumers at the checkout. It also sends a strong signal to the whole work force about the company’s commitment to customer focus, the importance of front-line staff and execution.

Similarly, Kuljit Kaur, head of business development at employee incentives company P&MM, has worked undercover in clients’ call centers and car dealerships in order to learn firsthand what it feels like to work there: “We find that many of our clients don’t really understand what motivates people at the sharp end.” (See Rhymey Rigby (2009), “Bosses Hang out at Fast-Food Joints for Invaluable Tips,” Financial Times (UK edition), (February 17), 12.)

A related, more formal, data source is mystery shoppers, who can tell you in detail what the customer experience is like, if necessary testing specific aspects of the service.

customer complaints and lapsed customers

Finally, a crucial source of insights on customer dissatisfaction is complaints. Everyone knows that customer complaints have the potential to help companies improve their delivery of the brand promise, as well as often suggesting ways to make that promise more relevant, but few organizations use this rich source as actively and systematically as they could. You should positively encourage people to complain if they’re disappointed, and then:

Monitor trends, to see which problems seem to occur most and/or seem to be increasing, in order to prioritize your improvement efforts and.

Follow up significant individual cases with a root cause analysis and action plan to reduce the likelihood of a recur-

An additional benefit of following-up on complaints quickly and vigorously is that outstanding service recovery usually repairs the damage to the brand in the mind of the complainant and sometimes even leads to more loyalty than before the problem occurred.

A related, even richer, source of well-informed dissatisfaction data is lapsed or defected customers. These are people who know your brand well and have chosen to take their business elsewhere. If you can reach them, they can tell you a lot about where you have been going wrong. Again, there is always a chance of bringing them back to your brand if you convince them that you really want their business and will correct whatever drove them away (assuming it wasn’t just an insanely low price from a competitor).

now what?

Of course, following up customer complaints and lapsed customers raises psychological and political challenges, even more than the other sources of insight about the drivers of customer dissatisfaction with your brand. This underlines the bigger opportunity. As competitors kick into avoidance mode, precisely because all other avenues are uncomfortable, they present you with an opportunity for differentiation and superior brand performance. Market researchers have a pivotal role in ensuring that the company is drawing on all relevant sources of insight about what is driving customer dissatisfaction.

Ideally, every member of the top team—not just the heads of sales and service, marketing and operations—should be able to list the three things that most erode trust among existing customers. They need to ensure that the company is collecting data on customer dissatisfaction and what is driving it and also, crucially, that the data—however unpalatable they may be—are reaching them rather than being filtered out or distorted lower down the organization.

Every executive needs to know (a) whether customers really do trust his brand and (b) what things are most likely to erode that trust. Every business should have an explicit system to enable it to see itself as others see it. Unfortunately, in the words of Jane Fonda, “No pain, no gain.” But that’s no excuse not to do it. Exploiting customer dissatisfaction is a low-risk, high-return route to increased long-term profits for almost every company. 

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