Five things we learned from talking to more than **1 billion people**

service management group®

It's a good time to be a customer

We're living in what Forrester has dubbed "The Age of the Customer"—where the sheer number of choices has created a seismic shift in power. The possibilities are endless. And that means expectations are extraordinarily high.

Think about the last time you bought something.

You could've hopped in your car and visited any number of brands' physical locations. Or went to a website and had it on your porch the next day. Or pulled up a third-party delivery app and gotten it within the hour. Or told your voice-activated virtual assistant to take care of it while you daydreamed about the not-too-distant future of drone deliveries.

So what did you do?

Well, if you're anything like the more than 1 billion people we've talked to, you made an emotionally informed, logically sound decision: you chose the one you trusted to deliver the best experience.

And because of that, every brand has had the same epiphany. To win those purchase decisions, you have to truly understand what makes customers tick. It's why we wrote this piece. And why you're reading it right now. Because in The Age of the Customer, there's really only one strategy that makes sense.

Listen better. Act faster. Outperform the competition.

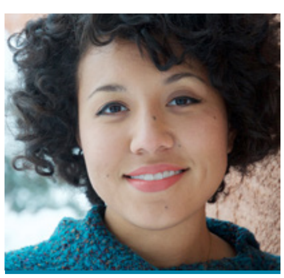
Five things we learned from talking to more than 1 billion people

Great experiences lead to loyal customers.

We're not just talking about a "good" experience. And not just a "satisfying" experience. Satisfaction isn't enough. To keep people coming back for more companies have to do more than satisfy. Why? Because satisfied customers aren't loyal customers. That's one of the surprising things we've learned in our work. At Service Management Group, we measure customer and employee experiences at close to 1 million locations for the world's leading brands in the restaurant, retail, service, and healthcare industries.

We talk to customers. A whole lot of customers. More than a billion of them. For more than 500 brands, in just about every country and language you can think of. And they've told us a lot of things over the years.

It turns out that all customers have wants. The best multi-unit businesses— the kind of companies we work with—know how to deliver those things, those "key drivers" of the customer experience. They focus on improving those key drivers, on improving the customer experience, for a good reason. Because a great customer experience is the hardest thing for competitors to copy.



It's hard to copy because it's hard to deliver in the first place. To do that, a business—especially a multi-unit business—has to know how its customers feel about the experience they get in each location, store, or restaurant. In fact, every customer interaction with your brand is vitally important. That means continual surveying of customers and continuous gathering of data.

But data doesn't do anything by itself. Just sits there in a box or on a screen.

It's exciting, though, what the best companies can do with the data. They correlate their customer service metrics—the results of all those surveys—with their financial performance. They discover (A) What customers want from them and (B) What customers are actually getting from them. Then, they create systematic ways for the company and its employees—everyone from executives at the corporate headquarters to managers and employees at each location—to act on that information.

In working with our clients and talking to more than 1 billion of the customers they serve, we have learned some things that apply to multi-unit operators everywhere. Five things, actually.

So let's get started with the first one, which really defies conventional wisdom.

THING #1 A satisfied customer is not a loyal customer

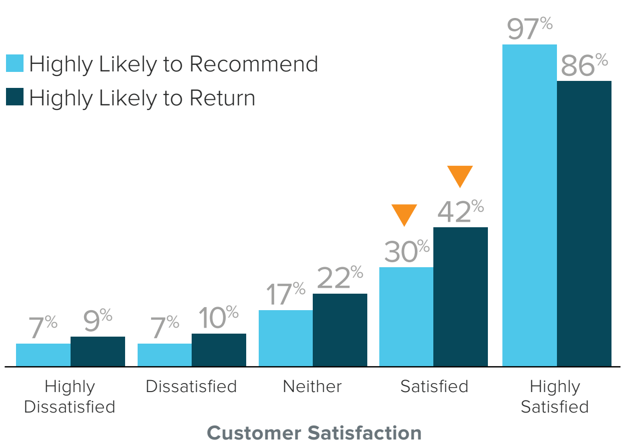
Let's say a customer walks into a store or restaurant or service company. The customer finds a pleasing environment, knowledgeable and helpful employees, and a good, quality product. The customer walks out satisfied with the experience.

At least, that's what the customer would tell you if you asked about it. To make it simple, let's say you just asked, "Were you (A) Satisfied or (B) Dissatisfied?" The customer would say, "A." So if you then asked something like, "Would you visit this business again and would you recommend it to others?" you'd expect the customer to say, "Sure, totally."

Thing is, not all satisfied customers you asked would say, "Sure, totally." Take a look at FIGURE 1.

FIGURE 1

Satisfied customers are not "highly likely" to return or recommend



It shows that less than half of "satisfied" customers would say they're highly likely to return to the business. And less than one-third would say they'd recommend that business to others.

What's that mean?

This is important. And confusing. Because isn't a satisfied customer a happy customer and, therefore, a repeat customer?

In a word: no.

If you survey customers and ask them to rate their experience on a 5-point scale, where 5 represents "highly satisfied" and 4 represents "satisfied," it's important to know how wide the gap can be between a 4 and a 5. They're not the same. Not even close. In fact, 4 might mean almost nothing. It might actually be an expression of indifference. In talking to more than a billion people, that's what we've learned — customers who say they are satisfied are just as likely to visit a competitor as they are to return.

That means if your customers say they are "satisfied" and not "highly satisfied," you haven't established a competitive advantage. "Satisfied" is a shrug. A "whatever." A "sure" without the "totally." It's not something that will keep them coming back for more.

Our takeaway

A business that wants to make its customer experience an engine that drives financial performance must inspire team members to deliver more than mere satisfaction. Satisfaction is the wrong target.

THING #2 Loyal customers drive sales and profits

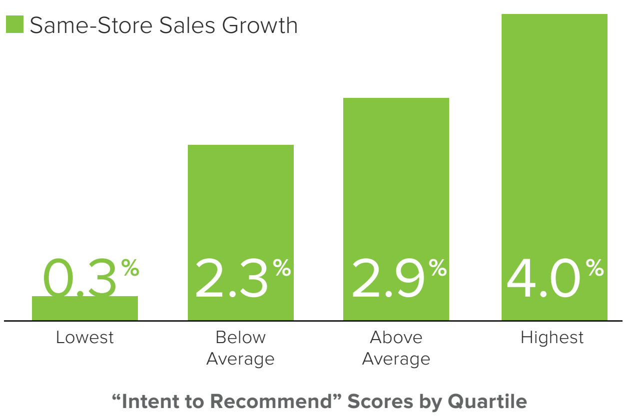
What's the value of making your customers happy, as in *really* happy? They come back. A lot. They also recommend you to their friends. And when they do, sales and profits increase.

Customers who report being "highly satisfied" are **twice as likely** to return than those saying they were simply "satisfied." They're also **three times as likely** to recommend the business than the "satisfied" customer.

FIGURE 2

Loyal customers drive top-line growth

Higher "Intent to Recommend" scores correlate with higher same-store sales growth



A brand that wants to measure customer loyalty can do so by looking at its customer service metrics.

What's that mean?

We've found that businesses with more customers reporting a high "intent to return" or a high "intent to recommend" also have higher same-store sales growth. In other words: very high customer satisfaction ratings align with higher sales. Bottom line: loyalty-building experiences drive top-line growth.

Why is this true? Because "highly satisfied" customers spend more per transaction than other types of customers.

There's something else. Ask more than a billion people whether they're likely to spend more of their income with companies they are "highly likely" to recommend or companies they are simply "satisfied" with and guess what they'll tell you? Right. Customers spend their largest "share of wallet" with companies they are highly likely to recommend.

Our takeaway

Companies that deliver great customer experiences will transform browsers into shoppers, shoppers into regulars, and regulars into loyalists. In the process, they can increase sales with only marginal increases in expenses. It's true. Top-line improvements are indicated right there in the data.

THING #3 Inconsistent performance can kill a brand

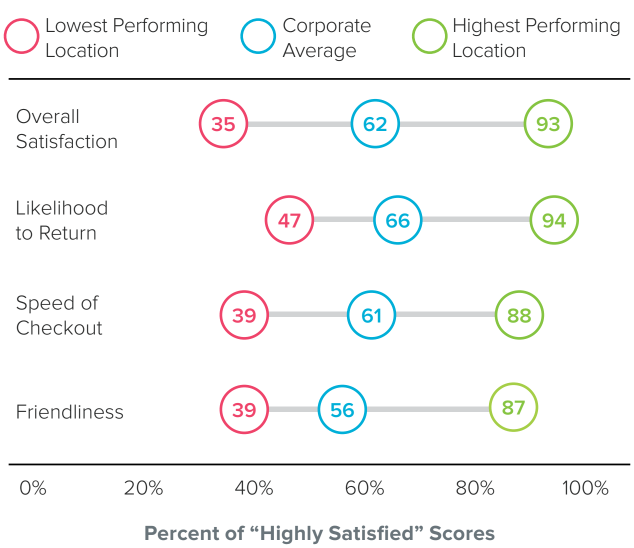
No one said great service was easy. Bad things happen to even the best companies. In a restaurant, food may be spilled on a customer's new suit. In a retail store, a defective blender may be sold to newlyweds about to host their first dinner party. In any personal interaction with a customer, an employee in a bad mood can blow it.

For multi-unit companies, sometimes a lot of these bad things happen repeatedly in the same location. But company averages disguise huge variations in the customer experience. If a company is only tracking aggregate customer service performance, it'll never know where the worst performers are, much less how to fix specific problems.

Take a look at FIGURE 3.

FIGURE 3

Service quality varies significantly by location



In the sample company shown, the corporate average of customer satisfaction is just mediocre. But the lowest performing locations—shown in red—are quite low, while the best performers—shown in green—are quite high. The best-performing location's score is at least two times better than the lowest. If the company in this chart didn't break its customer data down to the individual unit level, it would have a skewed perception about customer satisfaction.

What's that mean?

"Skewed" actually isn't a strong enough word. "Damaging" is more like it. Think of it this way: Both positive and negative word of mouth are going to spread. Trouble is, the bad news travels faster and farther.

If a company is doing a reasonably good job with overall customer satisfaction but still has several locations doing a particularly bad job with customers, those locations could eventually threaten the better performers.

Our takeaway

Customer loyalty is won or lost at individual locations, so that's where to focus on earning it. To get better system-wide, companies need to look at their best-performing units—the ones that are significantly higher than the system average. What are they doing differently to make their customers love them? Then adopt those best practices as standard operating procedures for the company.

Where there are trouble spots, senior leaders can have more than a generic "get well" meeting with those unit managers. They can coach them on the specific service issues that need attention, then track progress by measuring improvement.

To do that, multi-unit companies need to continuously gather customer service data at each individual unit.

THING #4 Opportunities to win loyalty are cleverly disguised as problems

You can learn a lot from a happy customer. But you might learn just as much from an unhappy one. Here's what we've learned from talking to more than a billion people, some of whom (like those we charted for a sample company in FIGURE 4A) were not so happy.

A full 65% of customers who report problems are less than highly satisfied with the way their problems are resolved. That is a huge missed opportunity. Of those customers who are highly satisfied with their problem resolution, 84% express a high likelihood to return to the business where the problem occurred.

What's that mean?

Look at FIGURE 4B. On the right, you'll see a rating for customers who did not experience a problem. Only 71% of those trouble-free customers said they were highly likely to return to the business again.

Now, look at the bubble to the left of that 71%. It shows what we just mentioned about the customers who are highly satisfied with problem resolution. You can see: 84% is a lot better than 71%. That means customers who have had a problem but are highly satisfied with how that problem was handled are actually more likely to return to a business than customers who had no problem at all. Interesting, right?

Businesses that are constantly surveying their customers have an easier time fixing those problems, too. Surveys can ask customers if they wish to be contacted about their problem—making it simple for store managers to follow up and handle problems right away. We call this "closing the loop" with unhappy customers.

Our takeaway

Knowing whether you have customer service issues at various locations in a multi-unit business is important. But knowing how you're dealing with those issues is crucial. Handle problems well, close the loop with customers, and you can turn unhappy customers into loyal customers.

FIGURE 4A

Most customers are not highly satisfied with problem resolution

Only 35% of customers were highly satisfied with service recovery when they experienced a problem

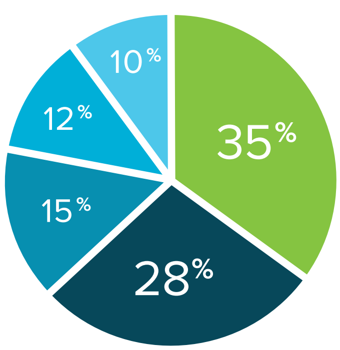
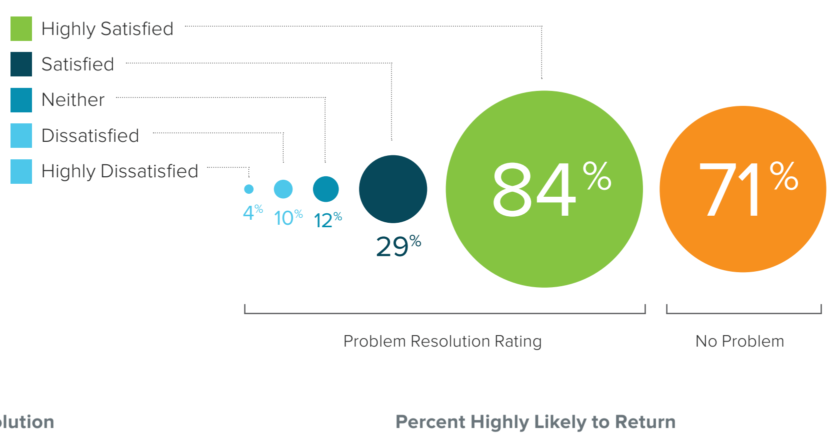


FIGURE 4B

Customers with problems can become very loyal

Customers who are highly satisfied with problem resolution are more likely to return than those with no reported problem



THING #5 Brand loyalty begins at home

It's a no-brainer. Loyal employees help create loyal customers. Obvious? Maybe. But would you have guessed how important loyalty among employees is to customer satisfaction? FIGURE 5A shows that impact for one sample company. It shows that as employee turnover increases at individual business units, customer satisfaction levels decrease. Substantially.

What's that mean?

Brand loyalty begins at home. If you can't sell it on the inside, you can't sell it on the outside.

Loyal employees do more than create loyal customers. They also recruit them outside of the workplace. A loyal employee is a brand believer. A brand marketer. A brand advocate.

Some of those billion-plus people we've been talking to are "internal customers"—employees. We asked employees how satisfied they are with their workplace.

We learned disengaged employees aren't going to recommend their restaurant, store, or company to anyone else. But a highly satisfied employee will tell people that his or her business is a great one to patronize.

Our takeaway

To find out how they're really doing, smart businesses measure not only satisfaction among customers, but also engagement among employees. Of course, measurement doesn't create employee engagement. You have to act on that measurement—setting goals and following through so your front-line employees notice the difference.

And, you have to be able to demonstrate financial benefit for the c-suite, proving locations with engaged employees have lower employee turnover, better customer satisfaction ratings, and higher comp sales.

FIGURE 5A

Higher employee turnover reduces customer satisfaction

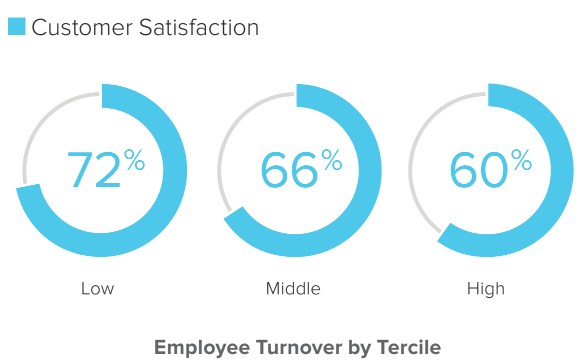
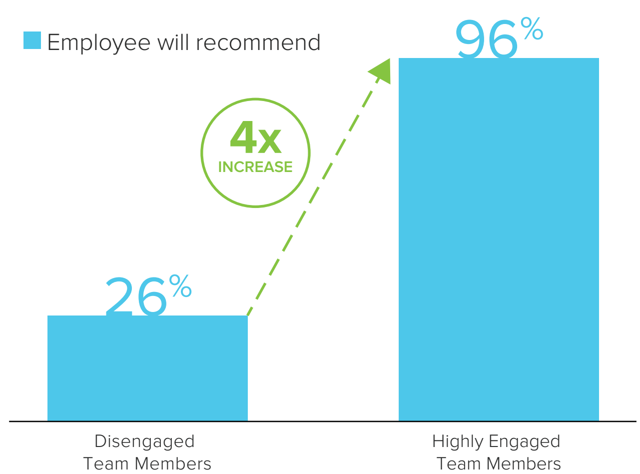


FIGURE 5B

Highly engaged employees recommend their company as a great place to be a customer



The Age of the Customer ushered in complex challenges

Location-level consistency alone won't cut it. Now you're looking for points of friction to sync up conversion strategies and build a seamless, cross-channel brand experience. You're delivering on the customer's desire for a personalized journey while considering privacy regulations and the growing threat of data breaches. You're balancing brand agility with personal accountability—testing and assessing every initiative you launch.

You don't just have a lot on your plate—you have a lot of plates.

It's no surprise then that the number one reason brands choose to partner with SMG is that they're craving more than a feedback platform. They're looking for a customer insights program—a thought leadership partner that not only helps them turn that data into focused, strategic insights but also challenges them to take meaningful actions.

We push our client partners to be best in class—and they return the favor

We know we're successful when our clients are successful. That's why every program includes data collection methods designed by researchers, reporting tools that are intuitive and action-oriented, and client teams consisting of passionate experts. And our clients appreciate the effort. In fact, a recent study conducted across clients and non-clients revealed that SMG clients:

- Are nearly **2X** as satisfied with their CX program
- Take meaningful action on their insights nearly **2X** as often
- Are **3X** as likely to say they have a partner that drives strategy and program execution

Know more. Do better.™

The more you know about your customers today, the better you'll do tomorrow. The more we know about your business and your unmet needs, the better we can help. If you're open to exploring how you might listen better, act faster, and outperform the competition, it all starts with a simple conversation. Let's do that.

smg.com/contactus

About SMG

SMG (Service Management Group) partners with more than 500 brands around the globe to create better customer and employee experiences, which drive loyalty and performance. SMG uniquely combines technology and insights to help clients listen better, act faster, and outperform the competition. Strategic solutions include omniCXTM, Brand Research, and Employee Engagement. SMG evaluates 250 million surveys annually, across 130 countries.

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