

The Customer Experience Tipping Point

BRIEF

An Ipsos + Medallia study: U.S., UK, Germany, and France

2018 is the year to win through customer experience

Customer experience (CX) is a key battleground for companies in today's economy. Yet this is a battleground on which many companies struggle.

Today's customers have more choices, and more power over the brands they interact with, than ever before. Meanwhile, customer expectations have risen – especially among younger consumers – as technological innovations and a relentless focus on the customer have allowed leading brands to

deliver superb experiences. As a result, it is no longer enough to simply provide a high-quality product or a competitive price. Instead, in "The Age Of The Customer," brands are built – or broken – on customer experience.

If these trends are any indication, the successful brands of the future will be those that stay ahead of the curve and look for ways to continually improve their customer experience. To help companies better

understand what they need to do, Medallia partnered with Ipsos to conduct a survey of 8,002 consumers in four countries across six industry sectors: online retail, offline retail, banks, insurance, hotels, and mobile network providers. Our findings highlight a number of current trends in customer experience and indicate how companies can meet or exceed customer expectations in the coming year and beyond.

Customer experience matters more than brand promise for service industries

When consumers choose a company from which to purchase a product or service, how do they do so? While the company's advertising and public messaging do have an impact, customer experience matters even more. When we asked global consumers about various factors that might influence their decision to choose or continue using particular brands in the future, the top two answers were personal experience (50%) and the opinions of friends, family or known peers (20%). By comparison, only about 16% of consumers viewed a company's brand reputation as a top reason to patronize it, and an even smaller percentage suggested they would be swayed by a company's advertising communications online (7%) or in traditional media outlets (6%).

Meanwhile, the rise of social media and online review sites has increased the importance of customer experience to a brand's reputation, and diminished companies' ability to shape their public images through traditional advertising and communication efforts. Today, a significant part of a brand's public image can be defined online through reviews that reflect the experiences of hundreds or even thousands of customers. Indeed, more than half (52%) of the global consumers we surveyed claimed to have left an online review of their experience with a company.

Factors that matter most for consumers when choosing a brand



50%

Personal experience



16%

Brand influence

Source question: How much does each of these influence your decision to choose or continue using brands in the future?

Percent of customers who rated each item 9 or 10 on a 10-point scale where 1 is "definitely would not influence" and 10 is "definitely would influence"

Reasons people have avoided a brand in the last year



64%

a single, bad experience or interaction



47%

online reputation and negative social reviews

Customer experience makes or breaks a company

Today's customers are quick both to penalize companies for negative experiences and to reward them for positive ones.

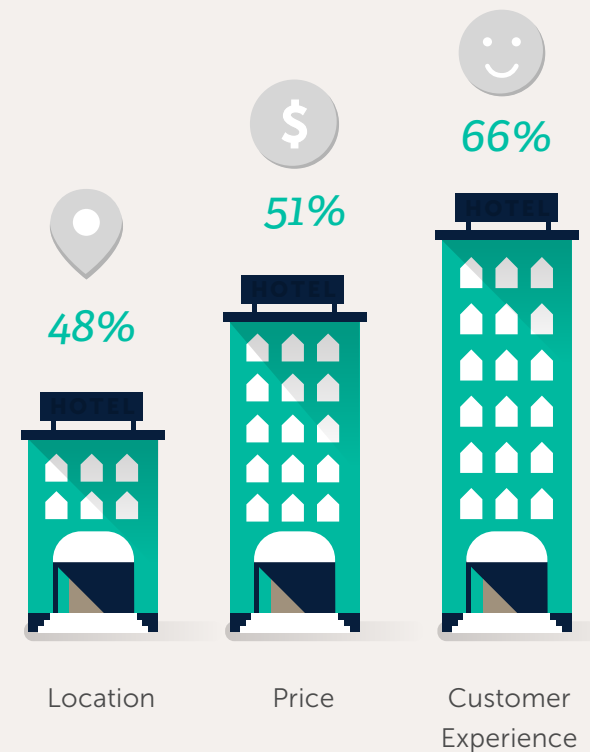
No bad experience goes unpunished

- 64% of global consumers claim to have avoided a brand because of a bad experience they had within the last year.
- 47% say they have avoided a brand because they heard or read about someone else's bad experience with it. Younger generations (55% of Millennials and 58% of GenZ) are also more likely than older generations (40% of Boomers and 33% of Silents) to be influenced by others' negative experiences.
- 47% have avoided a company because of its online reputation or negative social reviews.
- In direct response to a problem (or negative critical incident⁴), regardless of whether a customer has communicated with the company about the issue, telling friends, family or colleagues about the bad experience is the most frequent reaction (in 40% of incidents), especially among younger consumers. The second most common reaction is to switch, stop using, or use a company less (33% of negative incidents).

But a positive customer experience pays off

- 77% of global consumers claim to have chosen a product or service from a company because of good experiences they had with it.
- 59% claim to have made a purchase from a company because they have heard or read about someone else's good experiences.
- 73% of retail customers shopping offline state they would pay more for better customer experience.
- Word of mouth is the most common response to a positive experience. When asked what they did when they experienced a positive critical incident², customers report telling their friends and family about it in just under half (47%) of cases, rising to 60% of cases for hotel customers. A fifth (21%) say they wrote on social media to share the experience or wrote a review on the website/rated the company. In just under a quarter (23%) of positive critical incidents, customers report that they started using the company more. This is particularly the case for retail/shopping, both on – 31%) and offline (27%).
- For insurance consumers apart from trust (47%) and price (44%), customer experience (37%) is the third most frequent reason to renew an insurance policy.
- 66% of hotel guests who say they would go out of their way to stay at a desired hotel brand claim they would do so because of a positive experience with the hotel, making it the top reason before price (51%), location (48%), familiarity with the brand (45%), and reward points (30%), among others.

Top 3 reasons why consumers would go out of their way to stay at a desired hotel brand

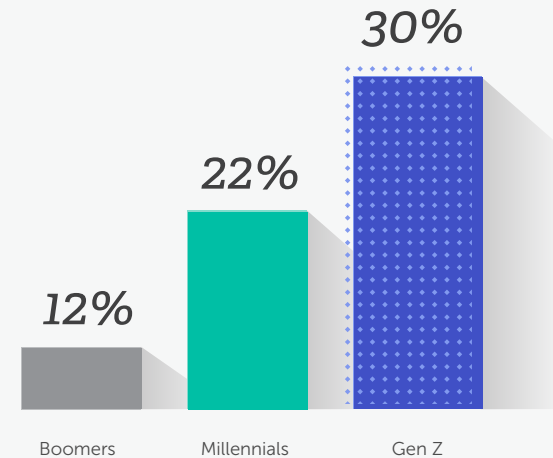


Global customer expectations are high and rising quickly

As high as today's customer expectations are, they are also continuing to rise.

- One fifth of online retail consumers say their CX expectations are higher than they were just two years ago. The same is true for hotels and mobile network providers, while 16% of bank customers, 15% of insurance customers, and 10% of offline retail customers feel their expectations have risen in the last 24 months.
- Expectations may also be rising faster among younger customers than older ones. For example:
 - » 30% of Gen Z consumers claim to have higher expectations for online retail than two years ago, compared to only 17% of Boomers.
 - » In banking the difference is even more dramatic: 30% of Gen Z consumers and 22% of Millennials claim to have higher expectations, compared to only 12% of Boomers and 9% of members of the Silent generation.
- These changes largely reflect a keen awareness among consumers of how their experiences with any given brand stack up against not just its own competitors, but also against businesses in other industries. Among the 21% of online shoppers who say their expectations are higher than they were two years ago, 47% attribute this change to the fact that they have always had great experiences with the brand. However, 26% say other types of businesses offer better customer experience, so their brand should, too; and 19% point out that other types of businesses are leveraging recent advances in technology.

In banking, Millennial and Gen Z customers have higher CX expectations than 2 years ago



How to provide a positive experience across the entire customer Journey

For today's consumer, excellent customer experience is not just about what happens in-store or even at the point of sale. Instead, companies need to deliver great experiences across every step, stage and channel of the customer lifecycle, and there is no room for complacency.

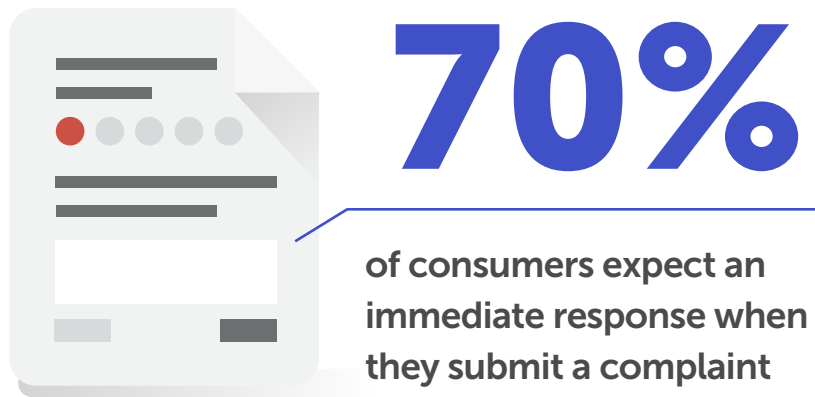
1. Make it easy and convenient every step of the way

- 56% of online retail shoppers and 49% of offline shoppers expect consistent levels of service across physical and digital channels.
- 35% of online retail consumers expect to have the option to chat with a live agent.
- 30% of customers expect call center agents to be instantly familiar with their contact history.
- 24% of online retail consumers expect same day delivery.

2. Respond quickly

Today's consumers expect to engage in real-time dialogue with companies across touchpoints in order to get what they need without delay.

- 70% of consumers expect an immediate response when they submit a complaint.



- What's more, customers expect almost an immediate response to their online reviews. After leaving an online review, over half (54%) of consumers expect to be contacted by the company in under two days. A fifth expect to be contacted in less than 24 hours.

3. Get to know your customers

Consumers also expect companies to treat them as individuals, and to and to handle their personal data with integrity.

- 37% expect companies they do repeat business with to know who they are.
- 40% expect to be offered personalized experiences based on their interests, buying behavior, demographics and psychographics.
- 75% expect their personal data to be held securely.

4. Reflect your customers' values

Brands are also increasingly held accountable for their stances on social and political issues. In the last year alone, 36% of consumers claim to have boycotted a brand over an issue that is not directly connected with its products or services. Globally, in the last 12 months:

- A quarter of consumers have boycotted a company in protest against its employee working conditions.
- 24% of consumers have boycotted a company in protest of how it treats the environment.
- Almost a fifth have boycotted a company in protest against its failure to pay its taxes.

Be in control when problems arise

Despite companies' best efforts, sometimes problems do arise in the customer journey. Perhaps there is an error in a client's bill, or a package is shipped to the wrong address. While customers know that mistakes can happen, they also expect companies to at least match their level of effort to resolve the problem. Our research reveals that when consumers believe they have put in more effort than a company to resolve an issue, they are:

- Twice as likely to tell friends, family or colleagues about the bad experience;
- Four times more likely to stop purchasing from the company, switch brands, or use the company less.

On the whole, consumers are unimpressed with companies' efforts to address disappointing experiences with their brands. When customers who experienced a negative critical incident with a company were asked how it responded, the most common response (29% of cases) was that it took no action. In only 26% of cases did customers agree that the issue was resolved, and in the same share of cases customers

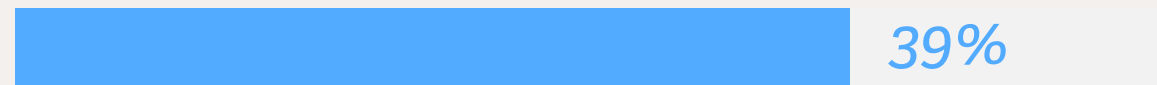
claimed they were treated with respect. The company apologized in a mere 24% of cases, and provided a detailed explanation about why the issue happened and what it was planning to do about it in only 19%.

By taking action, and thus ensuring fair customer treatment, companies stand the best chance of preserving their customer relationships even when there are bumps in the road. With respect to churn, customers stop purchasing from a company, switch brands, or use a company less in:

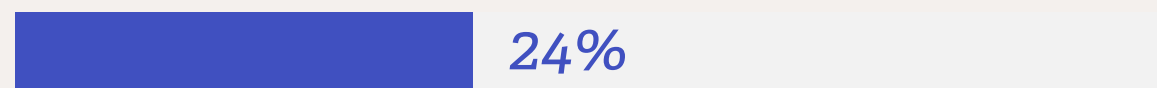
- 24% of cases where an apology is received or the customer is treated with respect (versus 39% of cases where this did not happen);
- 20% of cases where they are kept informed or receive a detailed explanation about why the issue happened and what the company plans to do about it (versus 38%);
- 26% of cases where a discount, freebie or financial compensation is offered (versus 35%).

Companies that take action, even a simple apology, preserve customer relationships

After a negative experience, percent of cases where customers stop purchasing from a company, switch brands, or use a company less



Company does not take action



Company offers an apology and treats the customer with respect



About Medallia

Medallia's mission is simple: to create a world where companies are loved by customers and employees alike. Hundreds of the world's best-loved brands trust Medallia's Software-as-a-Service application to help them capture customer feedback everywhere the customer is (on the phone, in store, online, mobile), understand it in real-time, and deliver insights and action everywhere — from the C-suite to the frontline — to improve their performance. Founded in 2001, Medallia has offices in Silicon Valley, New York, London, Paris, Sydney, Buenos Aires, and Tel Aviv. Learn more at [medallia.com](https://www.medallia.com).

About Ipsos

Ipsos is an independent market research company controlled and managed by research professionals. Founded in France in 1975, Ipsos has grown into a worldwide research group with a strong presence in all key markets. Ipsos ranks third in the global research industry.

At Ipsos we are passionately curious about people, markets, brands and society. We make our changing world easier and faster to navigate and inspire clients to make smarter decisions. We deliver with security, simplicity, speed and substance. We are Game Changers.

Ipsos is the global leader in designing, managing and delivering value from CX Management programs. We turn our clients' customer strategies into a clear CXM action plan and deliver the insights, technology and change-management services to achieve their vision.

Further Reading

To learn more and get access to country-specific insights for the U.S., the UK, France, and Germany, read the Ipsos and Medallia study [The Customer Experience Tipping Point](#).

Methodology

Medallia partnered with Ipsos to conduct a panel survey of 8,002 consumers from four countries — U.S. (2,002), UK (2,000), France (2,000), and Germany (2,000) — across six industry sectors: online retail, offline retail, banking, insurance, mobile network providers, and hotels. The collected sample was approximately matched to the census of each country on age and gender.

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Endnote

¹ Defined as 'one or a few minor problems or issues' or 'a major complaint or problem.'

² Defined as 'something particularly good that pleased you' or 'one or a few small things that pleased you.'