

Temkin Group

Thought Leadership Report



Customer Struggle Undermines Online Confidence And Loyalty

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Executive Summary

Companies increasingly depend on connecting to customers online. But many of those experiences don't fully meet users' needs; creating a situation called *Customer Struggle*. While *Customer Struggle* can lead to higher abandonment rates online, that's only one component of the problem. Even if customers find a way to complete their tasks, *Customer Struggle* can lower their confidence in the online channel *and* in the company – negatively impacting current *as well as* future transactions with those customers. The result: higher costs, lower future purchases, and negative word of mouth. That's why companies need to continually find and eliminate sources of *Customer Struggle*.

Customer Struggle Hurts The Online Experience

There's no denying the increasing importance of the online channel for just about every business. Even in a difficult economy, E-Commerce spending grew by 9% in the previous quarter.¹

Despite the continued growth of this channel, companies recognize that they aren't yet fully meeting customer needs. In a recent Temkin Group study, we found that only about one-fifth of companies regularly delight their online visitors (see Figure 1). When we compared this data across channels, we found that business leaders see the online channel as delivering a considerably inferior experience to their phone and in-person channels.

The Problem: Customer Struggle

To understand what's getting in the way of delightful online experiences, Temkin Group interviewed a number of online executives. Here's some of what they told us:

"It turns out that we had an issue that was affecting 20,000 or 30,000 users per day. They could still pay their mortgage, but they saw a "severe 3" error. I did a back of envelope calculation of the calls to the contact center that it generated; it was enormous. The cost of the calls is a good reason to eliminate customers' struggles." (Bank executive)

"The comments about displeasure from our voice of the customer surveys does not line up with conversion rates. Are those customers pissed off or are those problems indicative of larger problems? It's important for us to understand how broad the issue really is." (Financial services executive)

Companies continue to deliver increasingly complex interactions online. As they do, it puts a higher burden on the overall usability of the experience. While users are doing more online, they often run into hurdles that keep them from easily achieving their goals. We call these events **Customer Struggle**, which we define as (see Figure 2):

Experiences that obstruct a user's path to accomplishing her goals

¹ According to comScore, E-Commerce spending in the US in Q3 2010 was \$32.1 billion, a 9% increase over Q3 2009.



Figure 1: Companies Do Not Delight Customers Online

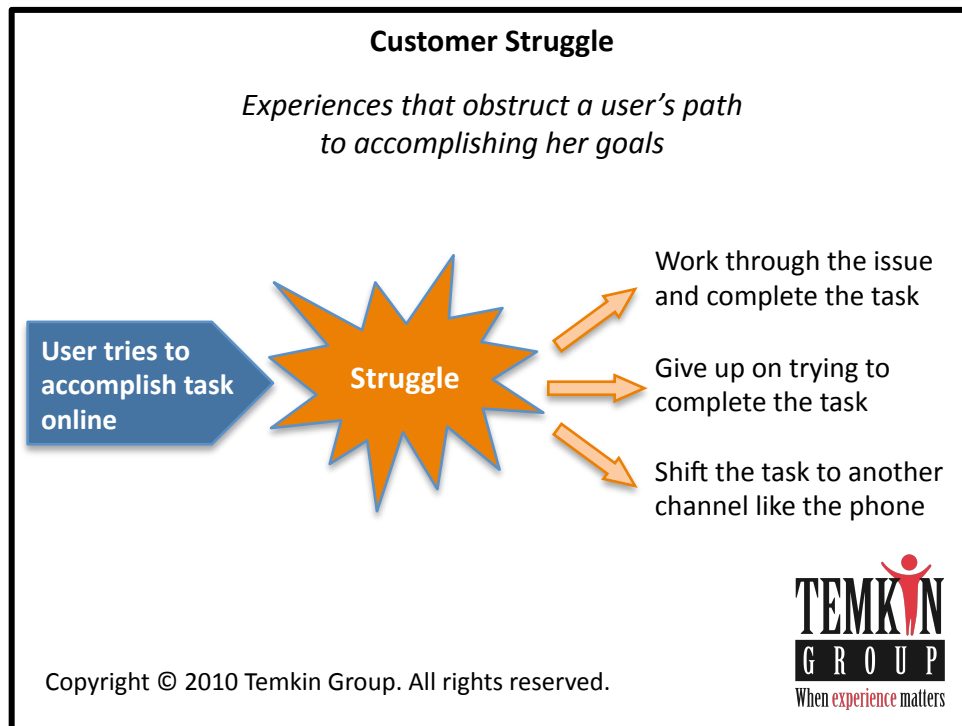


Figure 2: Definition Of Customer Struggle

Five Types Of Online Customer Struggle

During our conversations with online executives, we identified five types of *Customer Struggle* during online interactions:

1. **Path confusion.** Customers often aren't sure what path they need to go to accomplish their task. This type of problem can cause them to go back and forth from one page as they are forced to experiment with several alternative paths.
2. **Information confusion.** Sometimes customers just don't understand the information on a page; whether it's a description of a product or a customer service FAQ. When this happens, they tend to spend extra time on the page trying to figure it out.
3. **Process concerns.** If customers aren't sure if they can complete a process like applying for a loan or making a change to a setting on their account, then they aren't likely to finish the process. These types of problems are hard to spot since customers often won't even start the process.
4. **Content fragmentation.** At times, customers need information that is scattered across the site – forcing them to hunt around to collect what they need. In these situations, customers often create paths that weren't expected by the design team.
5. **System failures.** When the site goes down or returns an unexpected error message, customers can be turned off from the entire experience.

Customer Struggle Reduces User Confidence

It's easy to understand the impact of *Customer Struggle* when a customer fails to achieve his or her task; she either gives up (losing revenue or lowering satisfaction) or moves to another channel like the phone (increasing cost). But that's only a portion of the total impact; and in many cases only a small portion of the total impact. Here's what some of our interviewees told us:

"The biggest ROI for us is that it's much cheaper to handle interactions on the Web versus over the phone or through mail/paper. Healthcare reform is pressuring administration costs. One of the biggest ways to get people to use the site is to make it easy to use. Ultimately, the easier it is the higher the likelihood that they will come do that interaction on the Web again. People may use the tried and true capabilities, but be more gun-shy on new things if they don't have confidence." (Health plan executive)

"We look at anytime a customer sees an error that they shouldn't have – even if they get past it. We want to know they had the struggle; they have to pay their mortgage through us, but they don't have to buy future products from us." (Bank executive)

Our interviews with these online executives made it clear that *Customer Struggle* can lead to more than just a one-time abandonment or channel shift. They voiced concerns about the ongoing impact to their business from customers' (see Figure 3):

- **Broken confidence in the online channel.** When customers can't easily do what they want online, they learn to depend on other channels. Rather than starting online for future interactions, they become more likely to pick up a phone or go see someone in person. So Customer Struggle can impact all of the future costs of dealing with that customer.

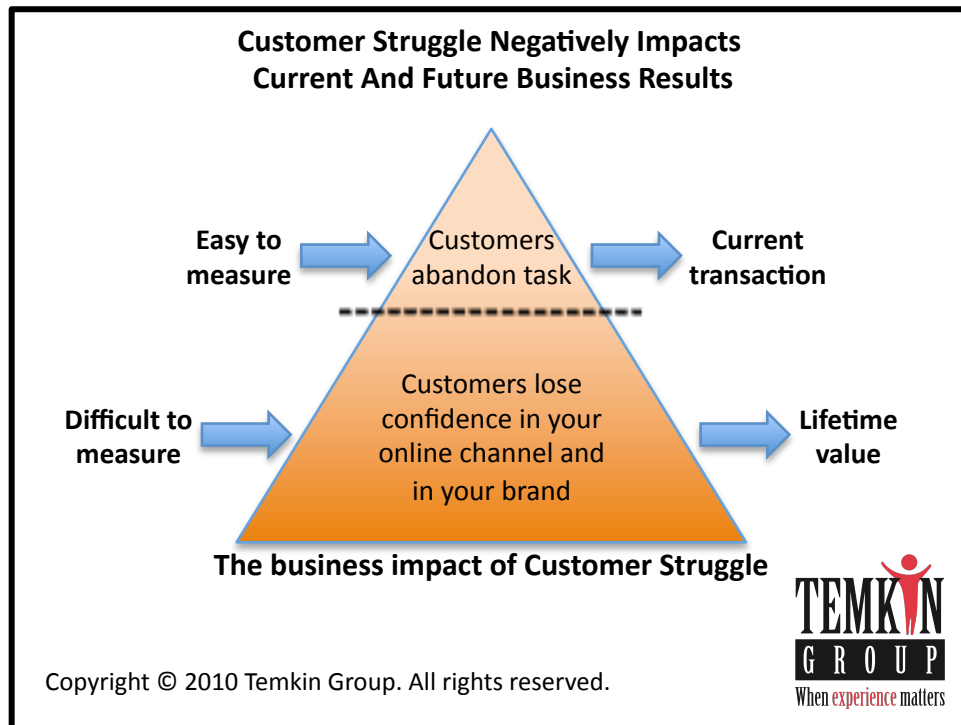


Figure 3: Customer Struggle Negatively Impacts Current And Future Business Results

- **Broken confidence in the brand.** When customers think a company is difficult to do business with, they become less likely to consider that company for future business. So Online Struggle can impact future revenue streams.

Customer Struggle Lowers The Lifetime Value Of Your Customers

What does it mean when customers lose confidence? Problems. The executives we interviewed described significant business ramifications. In particular, they described how lost confidence causes them:

- **Increased costs** as customers shift to more expensive channels.
- **Lost immediate sales** from customers choosing to abandon their purchases.
- **Lost future sales** from customers deciding not to consider them for future purchases.
- **Poor word of mouth** from customers sharing their experiences with friends and family.

Four Steps For Minimizing Customer Struggle

For every event of *Customer Struggle* there's likely more customers who have experienced the same set of issues. So companies need to aggressively find and remove the problems. How? By following these four steps:

- 1. Look for known signs of *Customer Struggle*.** Companies should monitor their Websites for signs of *Customer Struggle*. Start by defining a set of scenarios that correspond to each of the five types of *Customer Struggle* listed above and then look for user and system activities that correspond to those struggles. These events include excess time on a page, appearance of error messages, and going back and forth from a single page.
- 2. Search for new forms of *Customer Struggle*.** As it turns out, users can be very unpredictable. So *Customer Struggle* can come from scenarios that online teams would never have imagined on their own. That's why companies need to use feedback from users about their experiences to unearth new *Customer Struggle* scenarios. This information can be gathered through surveys or by mining other customer contact points like inbound emails, calls into the call center and social media conversations. Once new forms of *Customer Struggle* are identified, firms should monitor experiences to find when they occur.
- 3. Continually prioritize *Customer Struggles*.** The *Customer Struggle* of one user can be unique to that person or affect only a small group of users. But that issue can also be endemic to a large population of site visitors. So companies can't treat all *Customer Struggle* issues with the same priority. Firms need to develop a process for identifying the number of customers that are affected by the issue and the business impact of those situations. This information should drive a continually updated list of prioritized *Customer Struggle* issues.
- 4. Dedicate resources for fixing *Customer Struggle*.** There's no reason for a company to look for *Customer Struggle* if it's not prepared to fix those problems. So firms need to allot ongoing resources for developing approaches, testing, and implementing changes to remove the causes of *Customer Struggle*.

About The Author, Bruce Temkin

Bruce Temkin is Customer Experience Transformist & Managing Partner of Temkin Group. He is widely viewed as a leading expert in how organizations build differentiation with customer experience. He has worked with hundreds of large organizations on the strategies, operational processes, organizational structures, leadership, and culture required to sustain superior customer relationships.

Bruce is the author of Customer Experience Matters (experiencematters.wordpress.com), one of the most popular blogs in the space, where he regularly posts insights on topics such as customer experience, branding, and leadership.

Prior to forming Temkin Group, Bruce was Vice President & Principal Analyst with Forrester Research. During his 12 years with Forrester, he led the company's business-to-business, financial services, eBusiness, and customer experience practices. Bruce was Forrester's most-read analyst for 13 consecutive quarters and was one of the most respected analysts in the industry.

Bruce authored several Forrester's most popular research reports on customer experience including "*Experience-Based Differentiation*," "*The Customer Experience Journey*," and "*Voice Of The Customer: The Next Generation*." He created Forrester's Customer Experience Index, which rates more than 100 firms on their overall customer experience. He also led the creation and updates of many of Forrester's customer experience evaluation methodologies and training workshops.

Prior to Forrester, Bruce co-founded and ran a couple of Internet start-ups. He also held management positions with GE, Stratus Computers, and Fidelity Investments.

Bruce has been widely quoted in the press, including media outlets such as New York Times, Wall Street Journal, and Business Week.

Bruce is a highly demanded public speaker who combines deep expertise with an engaging, entertaining style. He has delivered keynote speeches at hundreds of industry and corporate events; often recognized as the top speaker. At Forrester's inaugural Customer Experience Forum in 2009, for instance, his two sessions received the top ratings of the event.

Bruce holds a master's degree from the MIT Sloan School of Management, where he concentrated in business strategy and operations. He also holds an undergraduate degree in mechanical engineering from Union College.

About Temkin Group

Temkin Group is a customer experience consulting firm with one simple goal for its clients: increase customer loyalty by becoming more customer-centric. We combine customer experience thought leadership with a deep understanding of the dynamics of large organizations to help senior executives accelerate their results.

Temkin Group was formed based on four core beliefs:

1. **Customer experience drives loyalty.** Our research and work with clients has shown that customers experience influences how much people buy from you, switch away from you, and how often they recommend you.
2. **Improvement requires systemic change.** Companies can improve customer interactions in isolated areas, but they can't develop competitive advantage until customer experience is embedded in their operating fabric.
3. **It's a journey, not a project.** Building the capabilities to consistently delight customers doesn't happen overnight. Companies need to plan for a multi-year corporate change initiative.
4. **We can help you make a difference.** Transformation efforts aren't easy, but leading your company to be more customer-centric is worth the effort. Temkin Group can help organizations accelerate their results and avoid many of the bumps along the way.

Temkin Group Services

Temkin Group services include:

- **Interactive workshops** to instill a common mindset, vocabulary, and approach across an organization.
- **Strategic reviews of customer experience plans** and objectives to identify opportunities for accelerating efforts and avoiding missteps along the way.
- **Assessments of customer experience competencies** to identify and close critical gaps.
- **Senior executive sessions** to ensure appropriate levels of alignment and commitment.
- **Executive coaching** to help executives leading customer experience efforts.
- **Speeches and webinars** to teach customer experience concepts.