Expectation Shock!! - The underlying research

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Abstract: Bt exact Technologies has developed a proposition entitled 'Expectation Shock!!' It aims at maximising conversion rates and enhancing the customer experience. This paper describes some of the underlying research so far undertaken in an eContactCentre. Quantitative and qualitative data analysis has identified four variables impacting conversion rates and customer experience: nature of the product, stage in the buying process, usability and customer service. For usability and customer service, it is not their values per se, but the difference between their perception and expectation [P-E] which is key. Further, this difference has to be big – an expectation shock – in order to foster loyal customers, who create a feedback loop, driving increasing sales. These findings can be incorporated into a system dynamics model and used to analyse and predict the impact of new or modified channels.

1 Introduction

The term 'Expectation Shock!!' was inspired by the verbatim comments of an eContactCentre customer who was 'pleasantly surprised, even shocked' when the level of service greatly exceeded expectations. What is it about the eContactCentre that produced this expectation shock? The eContactCentre allows the .com customer to text message, email or hit a call-me button and get either an immediate or arranged callback. For the appropriate product this can produce conversion rates (buy/visit) as high as 50%, two hundred times higher than for the same product and stage in the buying process on a .com, and make a 60% (and growing) contribution to overall sales of the product.

BT's bt.com and eContactCentre give us a considerable opportunity to examine the variables impacting on conversion rates and customer experience. The .com gives the baseline: We can take a given product with a given price, stage in the product lifecycle, and level of external marketing/advertising. We can then compare conversion rates between the customers who use solely the .com, and those who choose to hit the call-me button or other form of contact with the eContactCentre.

This paper describes work so far in the eContactCentre. It identifies four key variables, and also the importance of the gap between perception and expectation [P-E]. It is this difference which, if big enough, makes a loyal customer, creating a feedback loop, driving increasing sales.

2 Research & Conceptual Framework

The overall research question is: What are the key variables which predict customer user behaviour within and across channels from the physical to Internet to 3G? In addition to the eContactCentre work described here, activity is being undertaken in 3G and Broadband. The approach is described in detail in a previous LCS paper [1]. In summary, a literature survey produced a conceptual framework. This was qualitatively validated against 32 customers in UK and Malaysia and modified.

The result (figure 1) is a system dynamics model of the lifecycle from potential to loyal customer, and the drivers and inhibitors of the flow from one stage to the next. Reading from left to right across the model, we can consider the customer buying process as a sequence of stages through which we wish to move the customer from potential to aware…to loyal customer. The loyal customer not only re-purchases, but also tells other potential customers, and so purchases increase. This is a variant of the Bass Diffusion Model described in [2], in which the word of mouth feedback loop becomes increasingly important in driving sales.

Taking a .com scenario, we will assume that marketing in the form of advertising or media reports has driven a number of potential customers to become aware customers, and so they have now just visited the site. There are four variables which will drive or inhibit the flow through from aware to loyal customers: Nature of the product, Stage in the buying process, Usability perception versus expectation, Customer service perception versus expectation.

Concerning the nature of the product and stage in the buying process, Peterson et al [3] give a useful framework to analyse Internet versus Store behaviour and purchase. They state that, for low outlay, frequently purchased, tangible/physical products, customers are likely to inform and buy in store. On the other hand, for low outlay, frequently purchased, intangible/information products, customers will tend to inform and buy online. For high outlay, infrequently purchased products, they will inform and buy in either. This thus gives us a framework to confirm, quantify and extend these findings – in particular for the high outlay products.

Parasuraman et al [4] highlight the importance of usability and customer perception versus expectation. In essence, it is not the level of a variable per se which is important; it is the difference between what we expect and what we then perceive. So, if for example, we are expecting a low level of service and we receive a high level, then this positive difference is what will drive the flow to loyal customer.

However, this difference has to be big. Strauss and Neuhaus [5] produce convincing evidence that customer satisfaction is NOT a necessary and sufficient condition for customer retention, loyalty and turnover revenue. Satisfaction is not enough: Intensity is needed. Customers need to be completely satisfied or delighted – or, in our terms, receive an expectation shock - to drive the loyal customer feedback loop of the model.
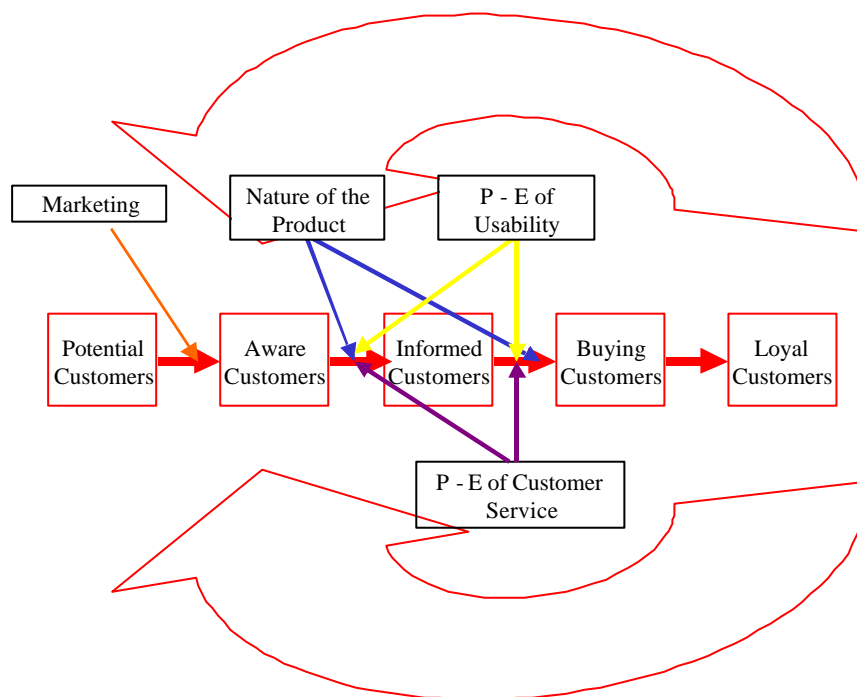

Figure 1 Customer Lifecycle

From the above, when we examine conversion rates for the .com and eContactCentre, we would expect there to be:

- Higher conversion rates for low outlay intangible/informational products than for low outlay physical products (see section 3.1)

- Higher conversion rates for the buy stage than for the inform stage (see section 3.2)

- Higher conversion rates for the assumed increased usability and customer service variables of the eContactCentre than for the .com (see section 3.3)

- Increasing sales for the eContactCentre demonstrating the loyal customer feedback loop (see section 3.4)

3 Analysis & Findings

This section describes the quantitative statistical and qualitative research undertaken so far.

3.1 Nature of the Product Findings: Conversion rates for low outlay intangible/informational products are 50 times higher than for low outlay physical products

Findings confirm and extend the Peterson work. Mean conversion rates (how many buys divided by how many sees) for three products on the .com were compared over a number of weeks. It was found that conversion rates for the low outlay intangible/informational product (BTTogether – a best price calls package) are 50 times higher than for the low outlay physical product (Converse – a phone). Conversion rates for the low outlay intangible/informational product (BTTogether) are also 25 times higher than for the high outlay intangible/informational product (Home Highway – a combined voice and high speed data package).

3.2 Stage in the Buying Process: Conversion rates are 3 to 4 times higher from a buy than from an inform location.

Bt.com has locations primarily designed to inform the customer, and others primarily designed to allow the customer to buy. This gives an opportunity to examine the outcomes in the eContactCentre when the customer comes via an inform or a buy location.

Mean conversion rates on eContactCentre call-me were compared over a number of weeks. Home Highway conversion rates at the buy site are 3 times higher than the inform site.

3.3 Usability & Customer Service: Conversion rates can be 200 times higher with a call-me button

The conversion rates for Home Highway (the high outlay intangible product) are two hundred times higher on eContactCentre call-me than on the. com. What creates this big difference?

The model contains four usability variables and five customer service variables. For usability, they are location independence, user interface, speed and always on. For customer service, they are reliability, responsiveness, assurance, empathy and tangibles.

Qualitative evidence involving a mixture of interviews and focus groups supports the relevance of these, and also for the importance of the perception - expectation gap. An example is taken from verbatim comments from interviews/focus groups. The .com customer who hits the call-me button is:

'Surprised or even pleasantly shocked' by the... 'Immediacy' of the call-me response... 'Dealing with someone who knows what they're talking about, who... Knows the customer history and products, has... 'Done their homework' and who will... 'Take ownership' and 'deal with it' efficiently

A customer service advisor explained the expectation shock as follows: Many technology-sophisticated people (eg .com and eContactCentre users) do NOT have high expectations of technology. The customer is resigned to computer crashes, sometimes slow and variable response times, and waiting in an IVR call queue. So, the above experience is indeed a shock.

Qualitative data shows the importance of the above usability and customer service variables. However, for a given channel, which is the most important, what are their values and also do they overlap? To begin to answer this, a Pearson correlation coefficient analysis was carried out: Subjects were asked to rate the importance of the customer service variables (reliability, responsiveness, assurance, empathy and tangibles) on a scale of one to five. It was found that Assurance was the most important variable. This thus supports the qualitative data, which also emphasised the importance of assurance. Also high overlaps were found: For example the correlation between empathy and responsiveness was very high.

The correlations/overlaps point to the need for multiple regression analysis to isolate the variables. It is necessary to conduct multiple regression analysis asking eContactCentre customers (some of whom have bought and some who have not bought) to rate their expectation and perception of the usability and customer service variables. This essentially reduces the number of variables to the minimum independent variables necessary to predict the dependant variable – buy/no buy. It might be, for example, that empathy and responsiveness having a very high correlation will form one variable. It might be also, that tangibles has a low importance and can thus be eliminated.

3.4 Increasing conversions: 60% sales contribution and growing

To examine the incremental and growing nature of the Call-me effect, weekly Home Highway purchases were compared on bt.com and eContactCentre call-me over a sixteen-week period. Regression analysis curve estimation was carried out on the data (basically, smoothing the curve). In the following three graphs, it will be seen that the first is static or only slowly rising (Home Highway sales on bt.com). In contrast, the second (Home Highway sales on bt.com and eContactCentre call-me combined) and third (percentage of eContactCentre to combined sales) are increasing:
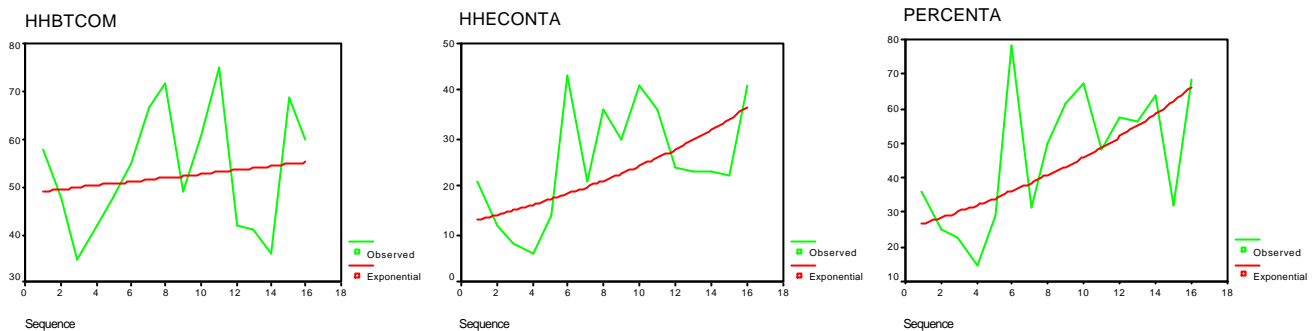
Figure 2: Increasing Sales Contribution

This is confirmed by an independent samples T test, which compared Home Highway mean purchases over two consecutive eight week periods. Home Highway sales on bt.com are static between the two periods. However, Home Highway eContact sales rise 50% in the second period to contribute 60% of total sales. We attribute this increasing curve to the loyalty feedback loop. However, it could of course be that more call-me buttons are being deployed, or Advisors are improving their conversion skills. So the next stage is to examine customer purchase and contact history to see if indeed loyalty is contributing as we suspect to increased sales.

4 Conclusion & Way Forward

Research so far has confirmed, quantified and enhanced knowledge of the importance of the nature of the product and stage in the buying process. It has also confirmed the importance of the expectation shock in usability and customer service driving the flow of loyal customers who re-purchase. Next steps are to:

(1) Repeat the data analysis with bigger samples using the same techniques

(2) Isolate the usability and customer service variables using multiple regression analysis

(3) Examine customer history for evidence of loyalty

(4) Predict the impact of future eContactCentre changes including: Modification in the user interface to allow co-browsing; Introduction of a new broadband product.

5 References

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