



**FUTURE**  
FOUNDATION

# The first direct UK Customer Experience Audit 2014

A twenty-industry audit

The impact of innovation and other trends

Psychometric & behavioural segments

The value of good experience

The UK customer experience map

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# Introduction

In summer 2014, first direct, celebrating 25 years as innovators and leaders in improving customers' experience in the UK's personal finance sector, approached the Future Foundation to pursue an original programme of research focussing on customer experience.

Our primary purpose is simply to provide a comprehensive descriptive 'audit' of customers' experiences in the UK today, but we also ask, how is customer experience changing? How do we feel about it? And, how do people vary, at an individual level, in their approach to interactions with businesses?

So, why say 'customer experience' rather than 'customer service' or 'customer relationships'? Two key messages of this report are that:

- Most of us, most of the time, want so much more than just to be 'served'<sup>1</sup>.
- The experiences that consumers have, and the experiences they want, vary enormously from industry to industry, context to context, and from individual to individual. They run the gamut from prolonged, personalised, proactive, protective and personal relationships, to interactions that – whether by accident or design - are none of these things.

This research programme sets out to discover which kinds of experiences characterise different industries, and just how much people vary in their needs and expectations as customers.

In the course of presenting our results, we'll be asking some provocative side-questions: *are banks the new newsagents? Is wild passion or cold logic the best way to get a deal? Is good service becoming a 'status symbol'? Is a new segment emerging who would rather **not** deal with real human beings?!*

## Primary research aims

In this research programme, our key questions are:

- How does customer experience vary across 20 major UK business sectors?
- What do people want from businesses in terms of relationship/experience? (what *types* of customer are there and which types tend to experience better/happier outcomes?)
- How are things changing? What impact is technology making?
- How do service demands, and local service provision, vary across the UK?

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<sup>1</sup> (But we do not forget, a significant minority, a significant minority of the time, want exactly that – *just do what I ask, quickly, politely*).



## Research methodology

### Desk research

We have drawn upon data from the following existing sources:

- Government Actuary's' Dept. data on UK population profile, 2014, for establishing quotas.
- 2012/13 Family Expenditure Survey data for our analysis of the amount of spending that service 'moves' each year in the UK.
- *nVision UK* research on online population profile.

### Original quantitative research

A total of 2,012 15-20 minute interviews were carried out online with UK adults aged 18-64. Interlocking age and gender quotas were set to ensure the sample was representative of the general population by age and gender. Broad income-group quotas were also set and monitored. Interviews were carried out online, using panel respondents recruited by Research Now, during October 2014. A very small number of respondents with exceptionally low levels of customer interaction (less than 4 of 20 sectors) were screened out.



# 1. Customer experience: the 2014 audit

Firstly, let's see how our twenty<sup>2</sup> industries rank, when it comes to some of our key measures of customer experience.

## A note on defining 'customer contact experience'

Most of the research in part one pertains to *customer contact experiences*. These are defined as any customer-organisation interaction which involved *more than* conducting a simple transaction. *Any* kind of further communication, request for information, resolution of a problem, chat, etc., constitutes a customer contact experience (thus, an interaction of the sort "that'll be £22.40 please" / "thanks" / "thanks" would not in principle count as a customer contact experience, but if anything *else* was said, it would become one). Contact experiences do not have to include any 'human' interaction, as long as they involve more than a transaction, say, the seeking of information or reporting of a problem via an automated telephone system, website or app.

(We also ask about how easy and enjoyable consumers find 'simple' ('contact-free') transactions, across the twenty business types).

## Context: motivations for customer contacts

### Different businesses, radically different customer contact contexts

Before we plunge into the nitty-gritty of customer experiences, let's first set some important context. It would be unfair to celebrate the best customer-experience providers and name-and-shame the worst without first recognising that some types of business get to interact with their customers in very much happier circumstances than others!

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<sup>2</sup> A note on exclusion of Post Office (current account) and inclusion of newsagents in tables: Both the aforementioned business types achieved relatively low numbers reporting contact experiences (P.O. had few overall users, newsagents many users, but remarkably few recorded 'contact experiences'). We decided not to show results from Post Office customers in tables in part one. With a sample of just 52 contact experiences, the results were rather 'wild'. We do however show results for newsagents in some tables, where they do not offend common sense. Readers should be aware, however, that results for newsagents (sample size 38) are merely indicative. All results are however included in cross-industry totals. Note all other 18 sectors achieved 'decent' samples in excess of 100 experiences (see table).



**Table 1: Motivation for / context of customer contact, by business type**

	Base	To make a normal everyday transaction or purchase	To set up a new service / get info on a new service	Trying to resolve a problem which they themselves caused	Trying to resolve a problem that was not their fault	Returning unwanted goods / cancelling unwanted service	Querying a bill, price or tariff	Asking for a refund	Asking for any other information or advice
<b>All customer experiences</b>	<b>7063</b>	<b>44%</b>	<b>10%</b>	<b>13%</b>	<b>7%</b>	<b>5%</b>	<b>11%</b>	<b>6%</b>	<b>18%</b>
Local cafés	490	74%	3%	1%	1%	2%	5%	1%	7%
Take-aways	415	73%	2%	8%	2%	2%	3%	2%	6%
Local/'Metro' format supermarkets	204	73%	2%	5%	1%	5%	8%	3%	9%
Cinemas	447	70%	3%	3%	2%	1%	3%	2%	12%
Local restaurants	680	69%	3%	4%	2%	2%	7%	1%	12%
Local pubs	415	68%	3%	6%	3%	2%	7%	2%	8%
Local corner shops/ newsagents	38	61%	8%	8%	5%	5%	5%	8%	11%
Airlines	454	52%	4%	13%	6%	1%	5%	5%	21%
Full-size supermarkets	156	49%	4%	8%	1%	12%	10%	12%	13%
Banks (current accounts only)	957	41%	19%	15%	10%	4%	9%	4%	24%
Online clothing retailers	403	39%	9%	19%	10%	29%	15%	23%	18%
Online grocery suppliers	191	30%	6%	31%	8%	10%	14%	19%	13%
General online retailers	190	27%	5%	14%	13%	16%	7%	15%	14%
Local government services	460	13%	15%	23%	16%	2%	11%	3%	39%
Electricity suppliers	419	10%	22%	16%	6%	3%	39%	7%	14%
Mobile phone service providers	252	10%	27%	15%	10%	4%	21%	5%	20%
H.M.R.C.	370	9%	11%	21%	11%	4%	12%	10%	43%
Internet service providers	357	7%	21%	23%	10%	4%	24%	4%	17%
Additional TV providers	113	5%	27%	13%	9%	7%	19%	1%	22%

Base: 2,012 adults, 7,063 customer contacts

Source: first direct / The Future Foundation 2014

As we can see from the table above:

- Locally-based businesses and to some extent banks tend to enjoy interactions with customers that come ‘alongside of’ ordinary transactions.
- But for other types of organisations, most notably media providers, interactions are far more likely to take place in the context of a problem having occurred, a billing query or other information request, etc.

We’ll remember, in interpreting the tables to come, that some organisations tend to be interacting with their customers in much more difficult circumstances. It isn’t our aim simply to identify better and worse customer experience, but to understand *why* – and clearly there is a strong relationship between context-for-the-interaction and quality-of-the-interaction.



## Characteristics of customer experience

Let's now see how customers' experience of customer contact varies across different organisations.

In the table below, we highlight the sectors scoring highest on each attribute, and the organisations are ranked according to how positive their customers' contact experiences tend to be overall.

**Table 2: Characteristics of customers' contact experiences, by organisation type**

	They did everything I wanted	They went beyond my expectations	We shared a little personal chat or a joke	I was calm throughout	I started off calm, but they made me angry or upset	I started off angry or upset, but they made me feel calmer/happier	I was angry/upset both before I contacted them, and was still angry after	I shouted or was rude	Their staff member did not have the power to help me	Their staff member did not have enough knowledge to help me	I felt I was 'browbeaten' by them
<b>All customer experiences</b>	72%	10%	15%	44%	5%	3%	5%	1%	7%	7%	2%
Local pubs	86%	14%	34%	47%	1%	1%	2%	1%	2%	2%	1%
Local restaurants	84%	18%	29%	48%	2%	1%	1%	0%	2%	3%	0%
Local cafés	84%	11%	22%	41%	1%	1%	1%	0%	1%	1%	0%
Banks	80%	10%	22%	54%	4%	4%	3%	1%	7%	6%	2%
Take-aways	80%	9%	7%	34%	3%	1%	5%	2%	3%	3%	1%
Cinemas	78%	6%	8%	38%	4%	2%	3%	1%	4%	5%	2%
Local/'Metro' format supermarkets	75%	7%	18%	45%	2%	1%	1%	1%	2%	3%	1%
Full-size supermarkets	74%	6%	13%	39%	2%	4%	4%	2%	3%	3%	2%
Online clothing retailers	73%	8%	13%	52%	6%	4%	6%	1%	6%	7%	3%
General online retailers	71%	11%	5%	46%	5%	5%	6%	3%	8%	6%	1%
Airlines	67%	11%	9%	37%	7%	3%	6%	1%	10%	7%	5%
Local corner shops/ newsagents	66%	11%	26%	34%	5%	3%	8%	3%	5%	3%	5%
Online grocery suppliers	65%	11%	14%	43%	8%	8%	8%	1%	9%	6%	3%
Additional TV providers	61%	11%	12%	46%	4%	3%	4%	0%	7%	10%	3%
Mobile phone service providers	58%	10%	9%	35%	8%	3%	7%	2%	13%	11%	4%
Electricity suppliers	58%	7%	7%	42%	7%	3%	10%	1%	11%	14%	3%
Local government services	55%	8%	9%	45%	8%	5%	10%	1%	15%	13%	6%
H.M.R.C.	53%	5%	6%	49%	12%	4%	8%	2%	11%	17%	5%
Internet service providers	52%	10%	6%	39%	7%	5%	11%	2%	14%	15%	4%

Base: 2,012 adults, 7,063 customer contacts

Source: first direct / The Future Foundation 2014

The table above gives numerous interesting findings:



- Overall, local pubs and restaurants rank highest for good customer experiences, followed by local cafes, banks and cinemas.
- Internet service providers, H.M.R.C., local government services and electricity suppliers ranked worst of our twenty industries for customer experiences.

We've said, though, that these customer contact experiences are all interactions that are 'more than simple transactions'. How do our twenty sectors stack up when it comes to the ordinary business of using the service or conducting simple transactions?

## Facility of ordinary transactions

The following table sets out, in rank order, businesses according to how 'easy and enjoyable' customers find the process of making ordinary everyday transactions and/or purchases with each organisation:

**Table 3: Facility of ordinary everyday transactions and purchases, by organisation type**

	Extremely easy	Fairly easy	Reasonably easy	Neither	A little bit difficult	Fairly difficult	Extremely difficult
Newsagent	50%	30%	14%	5%	1%	0%	0%
Local pub	49%	32%	13%	4%	1%	0%	0%
Bank	47%	34%	14%	3%	1%	0%	0%
Take-away	43%	34%	16%	5%	2%	0%	0%
Full-size supermarket	42%	35%	17%	5%	1%	0%	0%
local' format supermarket	42%	35%	17%	6%	1%	0%	0%
Post Office (banking only)	41%	24%	26%	5%	1%	2%	0%
General online retailer	38%	36%	16%	8%	1%	0%	0%
Local café	38%	39%	16%	6%	1%	0%	0%
Online grocery retailer	37%	37%	16%	8%	1%	0%	0%
Local restaurant	36%	41%	17%	5%	1%	0%	0%
Online clothing retailer	35%	37%	19%	8%	1%	0%	0%
Cinema	34%	37%	20%	6%	3%	1%	0%
Airline	28%	40%	21%	7%	3%	1%	1%
TV provider	23%	29%	28%	12%	5%	2%	0%
Mobile service provider	23%	35%	24%	9%	6%	2%	1%
Internet provider	22%	33%	26%	8%	7%	2%	1%
Electricity supplier	20%	34%	28%	10%	5%	2%	1%
Local government	13%	28%	29%	12%	10%	5%	2%
H.M.R.C.	12%	29%	25%	13%	11%	7%	5%

Base: 2,012 adults aged 18-64

Source: first direct / The Future Foundation 2014

As we can see:

- While there is some 'shuffling' at the top end of our rankings, pubs and banks continue to do well.
- However, *the worst four organisations for facility of ordinary transactions are also the worst four organisations for customer contact experiences.*





## Wait-times for response, by organisation type

Table 4: Average wait-times during customer contacts, by organisation type ('instantaneous' contact-channels only (face-to-face, phone, online instant messaging))

	Average waiting time (minutes)
<b>All customer contact experiences</b>	7
HMRC (Her Majesties' Revenue Service)	14
Local government services	12
Online clothing retailers	11
General online retailers	11
Electricity suppliers	11
Mobile phone service providers	11
Additional TV providers	10
Internet service providers	10
Airlines	9
Online grocery suppliers	8
Take-aways	6
Banks	6
Full-size supermarkets	6
Local restaurants	5
Cinemas	4
Local cafés	3
Local pubs	3
Local/'Metro' format supermarkets	3
Local corner shops/ newsagents	2

Base: 2,012 adults aged 18-64

Source: first direct / The Future Foundation 2014

As we can see:

- The 'bad news' for H.M.R.C. and local government services is fairly unremitting.
- Electricity suppliers and ISPs do a little better on this measure.
- Local businesses continue to shine. Banks and supermarkets continue to perform well relative to other large organisations.
- Perhaps not surprisingly, all business sectors primarily reliant on telephone or online contact are slower to respond than those who are partly or solely reliant on face-to-face contact. Perhaps it is easier to make customers wait when they are 'out of sight, out of mind'?

### Conclusions

The results of an overall ranking, based upon wait times, customer contact resolution, and facility of ordinary transaction, are not hard to discern, because performance rankings are actually so *consistent* across these three domains. Quite clearly, **local pubs and restaurants provide the nation's best customer experience**, with **banks** performing best among larger organisations. At the other end of the rankings, **H.M.R.C.** are picking up the wooden spoon, followed by local government services. The worst private-sector organisations for customer experience are **ISPs and electricity suppliers**.



## 2. The impact of innovation and other trends

We turn now to an examination of trends in customer experience:

- How far are new channels for interaction (apps, online instant messaging) making an impact?
- How do net users feel about online customer interaction?
- Do people think that customer service is improving or declining, in general?
- The death and rebirth of *personal* customer relationships?

### The impact of new channels for customer contact

Firstly then, what are the primary channels for customer-organisation contact in 2014? The table below shows how channels and methods of contact vary across industries.

**Table 4: Channels for customer contact experiences, by organisation type**

	Spoke to member of staff face to face	Spoke to member of staff on phone	Communicated via email or other online messaging	Looked up info on a website	Communicated via online instant messaging ('live' chat)	Touch-tone phone menu	Wrote a letter	Via an app	Recorded phone message and/or voice-recognition menu	Sent a text-message
<b>All customer experiences</b>	45%	34%	9%	6%	2%	1.3%	0.9%	0.7%	0.5%	0.2%
Local cafés	95%	3%	0%	1%	1%	0.0%	0.4%	0.2%	0.0%	0.0%
Local/'Metro' format supermarkets	95%	2%	0%	0%	0%	0.5%	0.0%	0.0%	1.0%	0.0%
Local pubs	93%	3%	1%	0%	0%	0.2%	0.2%	0.0%	0.7%	0.5%
Full-size supermarkets	88%	4%	5%	0%	1%	1.3%	0.0%	0.0%	0.6%	0.0%
Local restaurants	86%	11%	1%	1%	0%	0.3%	0.1%	0.0%	0.1%	0.0%
Cinemas	69%	10%	4%	12%	1%	1.6%	0.0%	1.6%	0.7%	0.2%
Banks (current accounts only)	54%	32%	5%	4%	1%	1.6%	0.5%	0.8%	0.6%	0.2%
Online clothing retailers	25%	24%	27%	16%	4%	2.0%	0.2%	1.5%	0.0%	0.5%
Take-aways	24%	64%	3%	4%	1%	0.2%	0.2%	1.7%	1.0%	0.2%
Online grocery suppliers	24%	41%	21%	9%	1%	2.6%	1.0%	0.0%	0.5%	0.0%
Mobile phone service providers	22%	57%	6%	4%	7%	1.6%	0.8%	1.6%	0.4%	0.4%
Airlines	20%	35%	19%	22%	2%	0.7%	0.9%	0.9%	0.2%	0.2%
Local government services	18%	55%	17%	5%	1%	2.4%	2.4%	0.0%	0.0%	0.2%
General online retailers	9%	25%	39%	14%	9%	0.0%	0.5%	1.1%	1.6%	0.0%
HMRC (Her Majesties' Revenue Service)	7%	72%	5%	7%	0%	0.8%	7.0%	0.3%	0.3%	0.3%
Electricity suppliers	5%	68%	15%	6%	1%	2.9%	1.2%	0.7%	0.7%	0.0%
Additional TV providers	4%	78%	4%	4%	5%	3.5%	0.0%	0.9%	0.9%	0.0%
Internet service providers	3%	75%	10%	3%	3%	3.4%	0.3%	0.6%	1.4%	0.0%

Base: 2,012 adults, 7,011 customer contacts

Source: first direct / The Future Foundation 2014



As the table above shows:

- Face-to-face contact may now represent only a minority of contacts with organisations in the UK, accounting for 45% of all contacts in our study.
- The telephone retains an enormously important place, and, for several of the organisation types we asked about, represents the main means of contact in more than two-thirds of cases (TV providers, ISPs, HMRC, and electricity suppliers).
- Online instant messaging is also now making a big impact as a customer contact channel, especially for online retailers, who are dealing with between a fifth and two-fifths of all contacts this way.
- Apps are starting to make an impact, particularly in contacts with take-aways, cinemas and mobile phone companies (although still less than one-in-fifty contacts, even in these industries).
- Text-messaging, while it has made a significant impact in providing updates and alerts, is basically NOT being used by consumers for proactive customer contacts.

Looking at the ranking in the table above, which is set by % of contacts that are face-to-face, we cannot help but be struck by the resemblance between the rankings here, and those for overall customer experience. There is a suggestion here that poor telephone experience is a big part of the problem. This is not to say that telephone experience is *necessarily* negative of course.

## Attitudes to online & remote interaction with companies

### Attitudes to interacting online, by phone, and with 'real people'

We asked

- Internet users now prefer online contact experiences to telephone contact experiences – by a considerable margin in fact - with 73% saying that they actually enjoy dealing with companies via the internet, vs. 37% saying that they enjoy telephone contact.

## Perceptions of change

### Is customer experience getting worse or better, in general?

We asked respondents what they thought:

- 56% believe that customer service is getting worse in the UK
- Surprisingly, older people are *not* more likely to have this perception though.

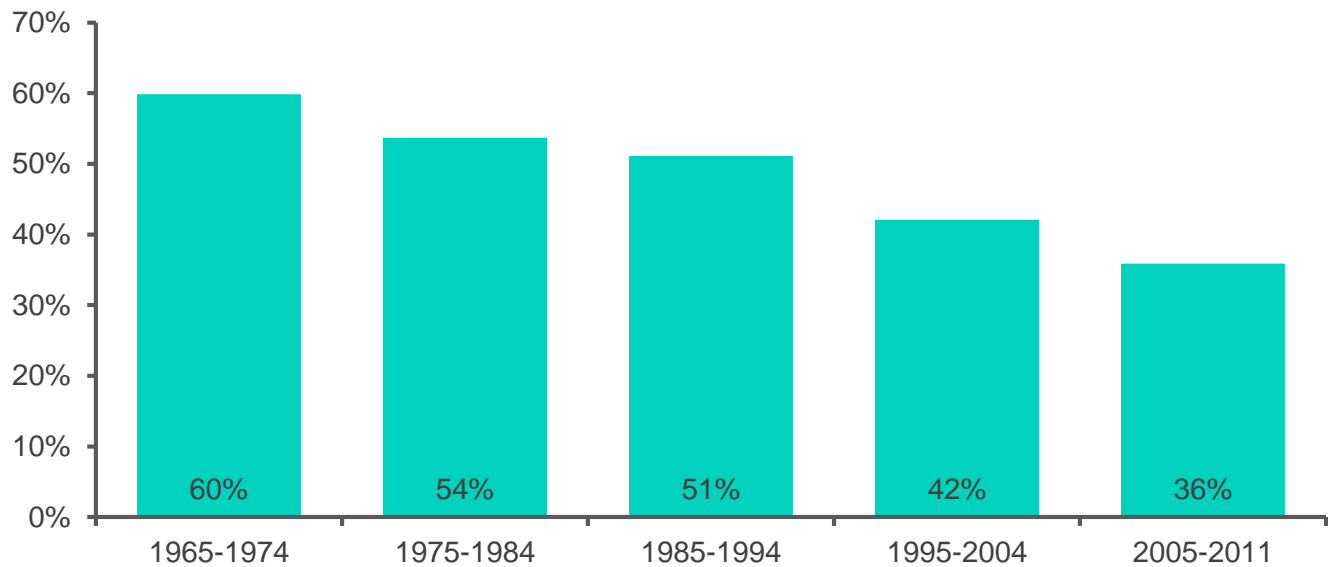


## How have local retailer-relationships changed over time?

We then asked respondents to think back in time, and tell us whether, as a young adult (aged 14-15) any local retailer knew them by their first name.

The chart below shows how dramatically things have changed in the past forty years.

**Chart 1: Percentage of young adults on first-name terms with at least one local retailer, 1970s-2010s**



Base: 2,012 UK adults aged 18-64

Source: first direct / The Future Foundation 2014

As the chart shows:

- While in the 1970s, close to two-thirds (60%) of young adults were on first-name terms with at least one local retailer, today, only one in three (36%) have such a “personal” relationship with any local retailer.
- Geographic analysis shows that there is a huge difference between town and country here (see also part five).

The apparent decline of ‘personal’ local retailer relationships gives rise to the question of what we want from our relationships with larger businesses today.



## A hierarchy of service needs

The clearest way to explain what we asked respondents next is to reproduce the question exactly as it was asked (minus spacing):

Now, we'd like to ask you about your general preferences, when it comes to your relationship with various businesses. People might want four different kinds of service from a business:

- "Serve me" (just do what I ask you when I ask you, nothing else)
- "Look out for me" (PLUS proactively notify me about any problems, ensure I'm kept safe)
- "Know me" (PLUS give me a service tailored to me, offering relevant deals and services, etc.)
- "Be a friend" (PLUS have a personal, friendly, caring touch)

For each type of business below, please say which level of service you would think would be ideal for YOU personally. Obviously, we all want businesses to do what we ask them, so that is already ticked for you. But what ELSE would you like each business to do for you – if anything? You can tick none, any, or ALL of the additional options, for each type of business.

The table below shows the top-line results.

**Table 4: General customer experience preferences, across four industries**

N.b. "Cover me" in table is "Look out for me"

	Just Serve me	Just be a friend	Cover me	Know me	Cover & know	Cover, know & be a friend
Internet and/or television provider	56%	2%	22%	14%	5%	1.5%
Supermarket	57%	4%	12%	20%	4%	2.2%
Gas and/or electricity supplier	54%	2%	23%	13%	6%	1.8%
Bank	43%	5%	21%	17%	9%	4.4%

N.b. The combinations cover/friend, and know/friend each attracted only <1% of respondents. These responses are placed into 'cover me' and 'know me' respectively.

As the table above shows, customers want different kinds of relationships with different industries, and want a closer relationship to banks than to any of the other three types of business we asked about.

Further analysis of this data shows:

- Men are slightly more likely than women to choose 'just serve me', across all four industries, a difference that is consistent but fairly marginal (2-3%)
- While preferences for supermarkets and TV/internet providers are fairly 'flat' across age and income, when it comes to energy providers and banks, older and wealthier consumers are significantly less likely to choose 'just serve me' than are their younger and lower-income counterparts. This is almost entirely because older and wealthier segments are more likely to choose 'know me' only. *At the extremes, only a minority, 47% of those on annual incomes of <£5,000 said they wanted anything more from their bank than just 'serve me', whereas 72% of those on household incomes of £100k+ wanted more than just 'serve me' from their bank.*

Interesting. There are fairly obvious rationales for wealthier consumers to want a business to "know me", to tailor offers to them – their financial affairs and transactions are more complex, and then there is the promise of 'preferred customer status' – *the love that dare not speak its name*. It may thus be that age-difference is a trick-of-the-light: in fact, the age difference we see in banking preferences may only or largely be a reflection of the richer profile of older age groups. A more sophisticated statistical analysis



would be required, but it looks like there is a real age effect for energy companies (older=closer), but a more income-driven difference in banking preferences (richer=closer).

Lastly, and perhaps not surprisingly, our five customer types (see below) show huge and consistent differentiation in how they answered this question – suggesting personality dimensions are also very important.

## The return of personal service?

An interesting issue that our research raises is over the implications of some of our data for **personal** customer experiences (a more comfortable, if less familiar phrase, than “personal service”).

(Let’s just be clear, by **personal** we mean warm, friendly, chatty, knowing you by name. This is something distinct from **personalised**, which might actually require a deeper level of personal *information*.)

Clearly, the high street, especially in urban areas, is no longer a place where personal relationships between businesses and their customers thrive. Although there are still sustainable niches for lasting, owner-run small businesses, and some signs of revival in butchers and fishmongers, the general movement in local grocery and CTN retail has been, and will continue to be, *away* from the experience of almost-daily contact with retailers who are staying put.

And yet, as systems evolve, and larger businesses develop increasingly sensitive and flexible CRM systems, there is a sense of the re-emergence of personal, friendly service in some perhaps surprising contexts – most notably banking interactions (see table 2, in part one).

There is no need for us to point up the strong connection with first direct, our research sponsor, here<sup>3</sup>. The exceptional standing of banks in modern big-business customer service (see previous section) surely owes much to the leadership they have exercised in this area. It also perhaps reflects the *high volume* of customer-business interactions that retail banks engage with. What is the network-society analogue of the friendly local shopkeeper who you’re often talking to, is always there, and knows you by name? We may be starting to answer that question. Certainly, at least a fifth of UK adults (see next section) are extremely *passionate* about their *relationships* with businesses (not just their brands or products).

## The new ‘quid-pro-quo’ relationship

The development of extended relationships with private-sector suppliers across a wide range of UK industries in the past generation has accompanied a gradual ‘freeing up’ of customer-company relationships. Not only is there vastly increased choice in suppliers of energy, telecoms and media, there are many more tariffs and packages, many more opportunities for companies and customers to form more individualised arrangements, including arrangements about tariffs, billing, debt forgiveness, rebates, etc.

Behind the scenes, we’re seeing experienced consumers getting more out of their existing relationships, as often, if not more often, than they actually switch suppliers. This proactive and reciprocal approach is (of

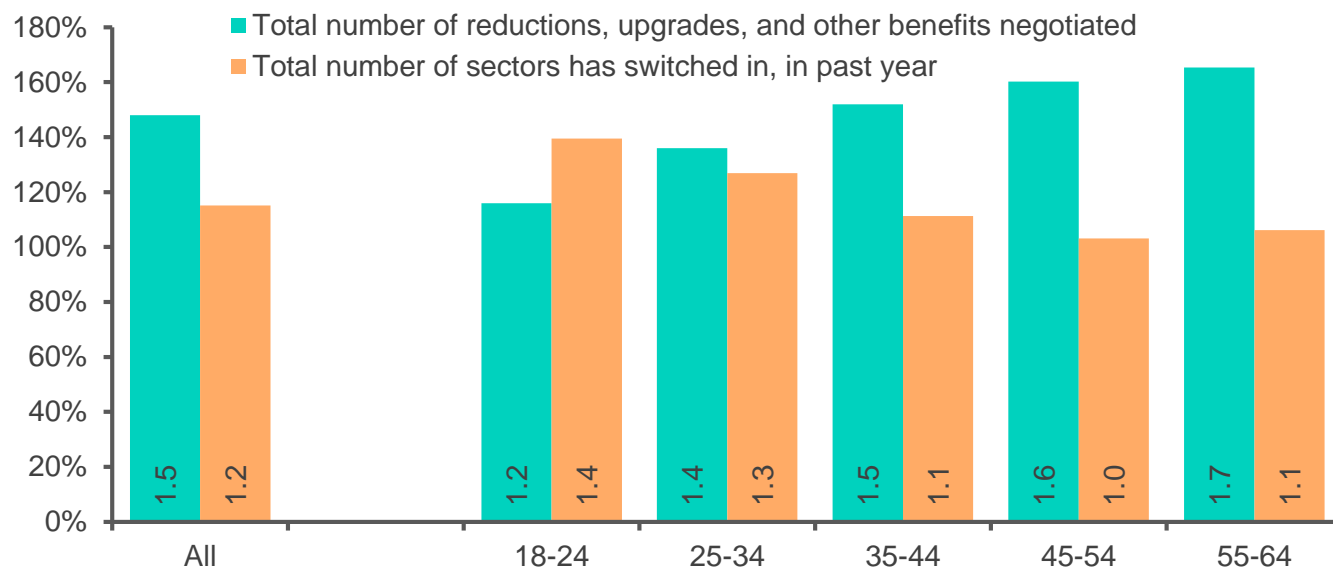
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<sup>3</sup> We’d like to assure readers that our reports absolutely never engage in any sort of puffery for the sponsoring organisation. But credit where credit is due. first direct achieves, in our view, a near-exemplary manifestation of early-twenty-first century ‘customer experience management’.



necessity, given the trends just referred to), an emerging trend, despite the fact it is older consumers who are leading the way.

**Chart 2: Frequency of getting deals/upgrades/discounts vs. frequency of switching, by age**



Base: 2,012 UK adults aged 18-64

Source: first direct / The Future Foundation 2014

As the chart above illustrates:

- Across all 18-64s, it is now more common to get a reduction, deal or free upgrade from an existing supplier, than it is to switch to a new supplier.
- While across all 18 sectors, we found younger adults more ‘footloose’, switching to a new main supplier in 1.4 sectors each year, vs. 1.1 supplier-switches per year for older adults, it is older adults who lead the way in negotiating deals and reductions with existing suppliers (1.7 ‘deals’ obtained per year, vs. just 1.2 for 18-24s)
- Men tend to get slightly more deals *and* switch slightly more often than women. People on household incomes of over £70,000 get significantly more deals (about 50% more than average) and switch about 80% more often than average.
- Some of the UK’s most effective deal-getters can be found in towns such as Birmingham, Sheffield, Leeds, London and Preston, along with people in the Bournemouth area on the south coast (see ‘deals analysis’ worksheet in tables).

### How to get a deal

Our research suggests that **simply asking nicely** is the most commonly-successful strategy employed by customers! 44% of deals come about as compensation for an error or problem, but excluding that 44%, full results from asking deal-getters how they did it are as follows:

- I simply asked nicely: 39%
- I threatened to leave: 28%
- I demanded it in a ‘pushy’ way: 6%
- I have a ‘preferred customer’ status with them because I am regular or high-spending: 20%



- One could group items (1) and (4) above, and items (2) and (3), and say, simply being a good customer accounted for 59% of deals, vs. being a 'pushy' customer accounted for 34% of deals obtained.

A final 5% simply say none of these things are true, leaving the way that they got their deal mysterious – sometimes deals just 'happen' perhaps!

### **Average amount saved per deal**

We asked respondents whether their most recent deal was a 'one-off', or a reduction in an ongoing monthly tariff or price.

- Last year, 42% of consumers got themselves at least one 'one-off' deal, reduction or upgrade and 16% negotiated one or more reductions in ongoing fees or tariffs.
- The average amount saved on one-off deals was **£89.62**
- The average annual amount saved *per year*, from ongoing reductions, was **£210.47**
- Taking these two figures together, the average amount saved by deal-getters was **£104.66** per deal.

### **Total amounts saved last year in UK**

The average UK adult, getting 1.5 deals per year, and saving an average of **£104** per deal, saves a total of **£155.74** per year by getting deals from existing suppliers.

Hence, £155.74, multiplied by the UK adult population in 2014 (50.86 million), suggests that:

- **The total amount UK businesses are now 'giving back' to customers each year stands at £7.92 billion in 2014.**

### **A note on treatment of outliers in findings on deals**

The small number of respondents recording exceptionally high values for annual savings were excluded from analysis, in order to prevent them having inordinate influence upon findings for individual demographics, especially cities. Removal of 9 individuals recording savings of >£400 per month resulted in a lowering of the UK average from £215 to £156, and the lowering of averages for Birmingham, London, Leicester and Leeds. Only in the case of Leicester did this adjustment significantly affect rank order.





## 3. Customer types: a psychometric and behavioural segmentation

Let's now shift the perspective, from looking at the variations between industries, to how customer experiences and outcomes vary between different types of customers.

### 'Input' dimensions for the segmentation

Having used initial factor and correspondence analysis to identify variables that were most important in differentiating individuals from one another, we input the following variables into a standard factor analysis.

Below, we group each individual 'input' measure under broad headings:

#### **General attitude and enjoyment of customer interaction**

- How much respondent enjoys dealing with companies in general
- Value placed on good service
- Preference for 'service only/cover me/know me/be a friend'
- Always tip generously
- Friends with at least one local retailer /staff member via being customer

#### **Effectiveness & intensity**

- Number of companies regularly dealt with as customer
- % contacts in which organisation did everything required or went beyond expectation
- Number of deals/reductions obtained in past year

#### **Approach to interactions / behaviours**

- Preference for speaking to 'real people'
- Have threatened to leave suppliers
- Number of times has switched in past year
- % contacts involving anger
- % contacts involving sharing a personal chat or joke
- Sometimes like to be a bit 'flirty'

#### **Personality**

- 'Tough-mindedness' scale (compound measure)
- 'Neuroticism' scale (compound measure)
- 'Openness' scale (compound measure)
- 'Agreeableness' scale (compound measure)

Having derived a five-factor solution accounting for 52% of variance, we then clustered respondents on these five factor scores, producing the following segmentation:



## Segmentation results: the five types of customer

Table 6: prevalence and key characteristics of each segment

Segment	1	2	3	4	5	ALL
Descriptors	Direct Dealer / Effective negotiators	Neurotic Negotiator / wallflowers	Wild passion / emotional rollercoasters / 'Jekyll and Hyde' / 'good cop, bad cop'	Sanguine Shopper / Friendly acceptors	Pragmatic Purchaser / 'Gentleman Jim'	
% UK adults	21%	19%	14%	21%	24%	100%
Average age	43	38	37	41	47	
Tend to be	either	female (61%)	either	female (61%)	male (53%)	All
Psychometric attributes (MAJOR, minor)	TOUGH, agreeable	NEUROTIC	NEUROTIC, tough	AGREEABLE, open	OPEN, tough	
<b>Measures of enjoyment and general attitude</b>						
customer treatment is getting worse	65%	44%	76%	43%	59%	56%
generally enjoy dealing with companies	26%	20%	84%	62%	51%	47%
enjoy using net for customer contact	77%	65%	82%	76%	70%	73%
enjoy using phone for customer contact	34%	18%	65%	37%	40%	37%
Preferred level of 'closeness' with businesses	High	Low	-	High	Low	
Percent who'd pay premium for better customer experience	90%	76%	73%	79%	46%	72%
<b>Measures of propensity to switch, 'contact effectiveness' and deal-getting</b>						
bad experiences mean I'll stop giving custom	92%	70%	89%	85%	89%	85%
% who have threatened to leave at least one supplier in past year	96%	44%	87%	30%	87%	68%
% contacts in which 'they did everything I wanted'	68%	65%	65%	82%	75%	71%
% contacts in which 'they went beyond my expectations'	9%	10%	21%	10%	5%	10%
% contacts in which 'I felt I was 'brow-beaten''	4%	2%	3%	1%	1%	2%
Total number of reductions, upgrades, and other benefits negotiated last year	2.57	0.93	1.81	0.74	1.49	1.49
Average saving made per 'deal'	£100	£76	£122	£93	£113	£105
Average amounts saved on deals in past year	£258	£71	£220	£69	£169	£156
<b>Measures of customer experiences</b>						
prefer to deal with real person	87%	45%	92%	91%	94%	82%



good service bit of a status symbol these days	54%	44%	76%	47%	51%	53%
always tip generously	66%	27%	78%	61%	58%	57%
friends with at least one local retailer	31%	29%	80%	39%	48%	43%
Occasionally like to be flirty	14%	21%	74%	9%	29%	27%
We shared a little personal chat or a joke	17%	9%	14%	24%	12%	15%
Any reported episode of being angry or rude in past year	21%	18%	23%	3%	6%	13%

Below, we summarise the key characteristics of each of our five segments.

### Segment 1: 'Direct Dealer'

*Direct Dealers* could be either gender and just about any age. What really differentiates this segment are two characteristics – they will quickly threaten to leave if they are not happy, and they are the *most* effective segment at negotiating deals and reductions, racking up an average of £258 of savings each year. They are averagely friendly in customer interactions and not inclined to flirt. They are generous when it comes to tipping.

They are far-and-away the most likely to say they'll pay more for decent customer experience, and prefer businesses to know them well. There is a sense here this segment doesn't like to beat around the bush – their down-to-earth communications style and strong negotiating ("give me a deal or I'll leave") clearly works for them in financial terms and they are likely to have a strong awareness that pleasant social interactions are useful in getting what they want.

### Segment 2: 'Neurotic Negotiator'

Our *Neurotic Negotiators* tend to be female and at the younger end of the age range. They are marked by a great reluctance to deal with companies at all, they do not enjoy it and are least likely to exchange pleasantries (but more likely than average to get angry). On the rare occasions they contact companies they are least likely to get what they want, and they are much less likely than average to negotiate better deals for themselves. Even when they get themselves a deal or discount from a supplier, which happens less than once a year, it averages only £76, the lowest of any segment

### Segment 3: 'Jekyll n' Hyde'

'*Jekyll n' Hyde*' might be either gender and tend to be younger (average age just 37). What marks out this segment is their volatile combination of friendliness, flirtiness, and rage!

While not quite as effective as 'Direct Dealers' at getting deals and reductions for themselves, the 'good cop, bad cop' routine seems to pay dividends, with this segment second-best at getting deals in terms of frequency and best in terms of value-per-deal.

In terms of personality type, like Neurotic Negotiators, Jekyll 'n' Hyde is *primarily* classified as 'neurotic', but also more likely than average to be classified as 'tough'. Perhaps Neurotic Negotiators and Jekyll 'n' Hyde are two aspects of the neurotic personality, one who turns that neuroticism into shyness and hostility, and the other who brings it, full force, to the relationships with the businesses he-or-she loves to deal with; to fairly good effect!

### Segment 4: 'Sanguine Shopper'



'*Sanguine Shoppers*' tend to be older females. This segment is marked by being easy to please, and more interested in having a nice chat than pressing for a better deal. They are very unlikely ever to threaten to leave suppliers and tend to feel they get everything they want already. As a consequence, perhaps, they are *least* likely to get better deals out of suppliers, saving just £69 a year, less than half the national average.

What this segment does very much want is to be well-treated. They are loyal, want close relationships with companies and are more likely than average to pay a premium for good service.

### Segment 5: 'Pragmatic Purchasers'

'*Pragmatic Purchasers*' are our only segment that is more likely to be male than female, and have the oldest average age (47). While they are average negotiators and generally get what they want, what really marks them out is their *manners* – unlikely to get angry, with a strong preference for dealing with real people, they are likely to befriend local retailers and also quite likely to flirt!

However, *Pragmatic Purchasers* have a strong sense of boundaries. They adopt a "don't call me, I'll call you" attitude, wanting businesses to stick to basic service, and being highly reluctant to pay anything for better service (they aren't particularly generous tippers either).

And although he strikes deals only averagely-often, when he does set out to strike a deal, he deals hard, obtaining the second-highest value-per-deal of any segment, at £113.

## Psychometric commentary

David Moxon, psychologist and author, provided a basic set of psychometric indicators for our survey, which we incorporated into our typology, and helped us to interpret the results. David comments:

Psychologists have debated for decades the best way to explain personality features and differences. There is no definitive way of explaining personality, however for the purposes of researching customer service the following four traits were viewed as most relevant.

1. **Toughmindedness** – including concepts such as manipulativeness, assertiveness and dogmatism
2. **Neuroticism** – including concepts such as anxiety, obsessiveness and guilt
3. **Openmindedness** – including concepts such as inventiveness, curiosity and being amenable to new ideas
4. **Agreeableness** – including concepts such as friendliness, sociability and cooperation

From analysing the interaction between these traits and consumer behaviours, a typology of **five** was developed which combined the traits in either a dominant or secondary role.

1. 'Direct Dealers'

Dominant trait = **toughmindedness**

Secondary trait = **agreeableness**



- |                           |  |
|---------------------------|--|
| 2. 'Neurotic Negotiators' | Dominant trait = <b>neuroticism</b>  |
| 3. 'Jekyll n Hyde'        | Dominant trait = <b>neuroticism</b><br>Secondary trait = <b>toughmindedness</b>    |
| 4. 'Sanguine Shopper'     | Dominant trait = <b>agreeableness</b><br>Secondary trait = <b>openmindedness</b>   |
| 5. 'Pragmatic Purchaser'  | Dominant trait = <b>openmindedness</b><br>Secondary trait = <b>toughmindedness</b> |

From the first direct data it can be seen that when toughmindedness figures in either a dominant or secondary role, customers are able to negotiate a better deal. Clearly the more dominant the better the outcome.

The most effective combination of traits for securing the best deals is toughmindedness as the dominant and agreeableness as the secondary. These individuals clearly possess a highly effective skill set which allows them to be assertive within transactions but also strike the balance between this and sociability. Having an understanding of the subtle complexity of social interaction and using this to your advantage seems to provide the winning formula.

The least effective combination for securing the best deals is agreeableness and openmindedness. If your dominant motivation within a transaction is to avoid conflict and disharmony, and develop friendly and harmonious encounters, then it seems most likely that your priorities will not include saving /making money!

- **SOCIAL MOTIVATIONS – to what extent are customers motivated by social factors within their transactions/exchanges?**

The eminent social psychologist Elliot Aronson, entitled his highly influential book 'The Social Animal'. He was of course referring to human beings. The obvious implication here is that we are 'innately wired' to be social.

Evolutionary theory tries to explain this need to be sociable primarily in terms of protection and cooperation. In early human groups it is likely we would have first demonstrated this need to our relatives and close group members (something referred to as kin selection). However later in our evolution, the need to be sociable and get on with others served an important function when hunting and living in larger communities. This became ingrained into the human consciousness and good social skills became a highly prized and adaptive commodity.

Humans have a fundamental desire to be accepted and we try to avoid disharmonious interactions as much as possible. Customer/client exchanges frequently provide potential for conflict, particularly if the exchange does not go the way you wish.

One underlying principle of social exchanges is the **law of reciprocity**. We tend to adopt a similar social interactive style to the person we are interacting with. Having agreeableness characteristics within your personality suggests you will be more able to deal with more difficult social encounters.



- **COGNITIVE FACTORS – to what extent are customers using rationality and logic in their transactions/exchanges?**

It is a general assumption that human beings use logic and rationality in most decision-making situations. We use cognitive processing when assessing the relative merits of exchanges and our decisions are primarily based on this.

However two points to note. Humans vary in the degree to which they favour logic and rationality over more emotional processing. Secondly, even the most rational of us are prone to cognitive errors and biases, which appear to be again engrained deep within the human psyche.

Within the first direct research we measured the extent to which people showed a preference for rational/logical approaches to exchanges and this appeared to correlate with the personality trait toughmindedness. That doesn't mean these are the same thing. Just because someone is assertive and able to use manipulation to get what they want, it does not mean their line of argument is logical – however it could be that a more forceful approach can sometimes make an argument appear more convincing!

In terms of cognitive biases we are all prone to these to some extent. The level to which they would affect a transaction/exchange is difficult to assess and obviously each transaction would be different. Here are three of the more common ones.

### **Cognitive Dissonance**

***“Customers who are satisfied with areas of the exchange that are important to them tend to be happier about other aspects that may have troubled them”***

***“Customers who are dissatisfied with areas of the exchange that are important to them tend to be unhappier about other aspects that may have troubled them”.***

This concept is based on the premise that we are motivated to change our views whenever we simultaneously hold two cognitions (thoughts), which are psychologically inconsistent. Once we have committed to an idea or a belief, in the light of conflicting evidence, it takes more psychic energy to completely change our view that it does to adjust or minimise the conflicting viewpoint.

We are therefore motivated to adopt the second option – namely adjust or minimise the conflicting viewpoint.

If we complete a transaction with most of our important issues having been met, we will tend to overlook (adjust/minimise) any minor issues that were not fully met as that may leave us feeling as though the exchange has not been successful and that would lead to cognitive dissonance.

**It is therefore important for a customer to be clear what aspects of the transaction/exchange are important to them.**



## Fundamental Attribution Error (FAE)

FAE refers to a general tendency to overestimate personal factors relative to situational factors as a cause of behaviours. Within customer service this might show itself in an overestimation on the part of the customer of an employee's ability to affect an outcome.

For e.g. "Why can't **you** offer me an upgrade"? – the employee is only an agent for the organisation and it is not in their remit to offer such things.

This could potentially lead to confrontation as the sales person might be perceived as being deliberately hostile or difficult.

If the outcome of the exchange is positive – "of course I can upgrade you" then potentially expectations will have been met.

**Expectations** – There are two types of expectation within a transaction/exchange – namely product expectations and process expectations.

Product expectations would be based around issues such as functionality, reliability and cost. Process expectations are more embedded within social interactions and would include issues such as listening, friendliness and trust.

As can be seen within the context of the FAE, from a Psychological perspective the more important of these two are process expectations – does the interaction please/satisfy you.

The underlying processes of social interaction involve complex cognitions. The way we make sense of any exchange is often preceded by our expectations of the outcome.

## Just World Hypothesis

Another example of a cognitive bias that might be relevant to customer service is the 'Just World Hypothesis'. It is based on the assumption that human beings like to feel that the universe is fair and this gives them a sense of order and control.

"I am a just person living a just world" – "People get what they deserve"

If people generally hold this assumption it might go some way to explaining why customers get angry when transactions/exchanges don't go the way we want. It seems to us that we are perhaps unworthy or undeserving of this deal – or perhaps we have simply been cheated or duped out of something we feel rightly ours.

## THE FREUDIAN CONNECTION – to what extent are customers influenced by unconscious motives in transactions/exchanges?

Part of Freud's theory was the concept of the 'id', 'ego' and 'super-ego'. These were seen as metaphorical constructs that mirrored manifestations of our personality. The id is the primitive animal-like component being driven by selfish pleasures and hedonism. The super-ego on the other hand, is the moral judge



generating feelings of guilt and remorse. Overseeing these two extremes is the ego – acting as a kind of referee.

It is not uncommon in everyday life to feel ‘pushed’ and ‘pulled’ between the two extremes. One moment you wish to do something wicked and the next moment feel bad for entertaining these thoughts. If the ego is weak then these swings will ensue.

For Example. You may give a sales assistant a really hard time then feel highly remorseful and then succumb to a purchase you didn’t really want!





## 4. The value of good experience

In part four of this report, we attempt to answer a perennial question for big businesses: what is the true commercial value of providing good customer experience?

We'll take two approaches.

- One, an individual-level approach, in which we ask our respondents how much more they would be prepared to pay for good service, as opposed to bad service.
- Two, a macro-level approach, where we ask respondents whether they had switched main supplier across our twenty sectors (where applicable) and if so, what their main motivation for switching was. We derive from that the percentage switching each year for customer experience reasons. Then, we map those figures onto latest UK consumer expenditure data for each sector, to discover how much money customer experience 'moves' each year in the UK.

### The customers' perspective

What is a service with good customer contact experience worth, in the eyes of consumers themselves?

We asked respondents to imagine a regularly-used service which cost £100 per month and which had *terrible* customer service. How much extra would the respondent pay for the same product, but with *excellent* customer service?

- 70% feel that good service is truly worth 'hard cash', while 30% say they simply can't or won't pay a penny more for good service.
- 17% would pay a premium of more than 10% for good treatment, and 6% would pay a premium of 20% or more.
- On average, UK consumers would pay a **7.3%** premium for good customer experience vs. 'terrible' customer experience. (put another way, we might interpret this finding as saying good experience is worth 3.65% more than *average* experience).
- We note that the median average premium for good vs. terrible service is 3.1%. As in all matters economic, there is a steeply rising curve – higher income, time-pressured, valuing service far higher than others.

While 7% may not seem a particularly huge figure, it represents a multi-*billion* pound premium, when consumer spending as a whole is considered. Assuming that this 7.3% is fully 'priced in' to the full c.£700 billion of total UK household expenditure in 2014, customer experience is delivering some **£48 billion** of value annually to UK consumers.

How plausible is this figure? One perspective is that, given that we spend, on average 45 minutes per day, broadly speaking, *having* customer experiences (shopping and dealing with domestic administration), we spend, collectively, **14 billion hours per year having customer experiences** (per head, 274 hours a year). That implies that we pay, on average, just £3.43 per hour of customer experience. If anything, there could be room for further investment, as and when the economy returns to any sort of robust growth.



## Quality of life, the value of time, and ‘gross national happiness’

And there are other ways to measure value of course, which may only partially intersect with an economic valuation (readers who subscribe to a classical philosophy of price will frown, others will think this obvious). Certainly, we spend so much time shopping and dealing with businesses (45 minutes per day, on average) that there are genuine quality-of-life implications here. At a very generalised level, consumers know what their time is worth, they have growing expectations of customer experience, and increasingly recognise that it is a vital element of the value of using a service or buying a product.

One implication of our data in part one, that relates in to this point, is that the UK Governments stated goal to increase “gross national happiness” is *not* being particularly well-served by the arms of government that we have studied in our research (H.M.R.C., we recall, after an average 15 minute wait, ‘converts’ more than one in ten of its’ callers *from calm to angry...*). This said, taking private and public sector together, we can conclude that in general, UK customer service in 2014 does, on balance, and despite many failings, make a *net-positive* contribution to our ‘GNH’.

## Amount of money that ‘moves’ each year in UK because of customer experience

Our next, related, question is over how much expenditure moves from business to business in the UK each year, because of unacceptably poor customer experience with incumbent providers, or the attempt to seek better service.

In order to put a financial (£) value on expenditure ‘moved’ each year, we needed to know:

- What percentage of customers switch main supplier each year (in each industry)?
- What percentages of switchers are *primarily* motivated by customer experience (driven away by unacceptably poor service or simply seeking better)?
- How much total £ annual consumer expenditure does each sector command in the UK?

The following table answers these questions – and totals up the results.

*Readers will note that we only attempt to account for about half of total UK consumer spending in this analysis – that portion (totalling £312 billion in 2014) which we deemed fully subject to customer-experience-based switching.*

*(thus, largely ‘one-off’ purchase decisions (healthcare, education, cars, holidays, etc.) are not included (although we readily accept customer experience can be vitally important in some of these industries, ‘switching’ as such is generally an ill-fitting concept) and nor is expenditure in sectors where choice is not obviously available, or is generally highly limited by circumstantial factors – transport, petrol, rents and mortgages, long-term savings, money spent abroad.).*



**Table 7: Prevalence of switching/ percentage of switches motivated by customer experience/ hence: prevalence of switching for customer experience/ total sector expenditure/ 'expenditure moved by customer experience', by business sector, and UK totals**

	% customers switching main supplier, 2013-14	% of switchers who switched primarily for service reasons	Hence: % customers who switched for service last year	Equivalent categories of expenditure (from UK Family Expenditure Survey)	Total UK consumer expenditure 2014* (£million)	Estimated amount 'moved' by service in past year (£million)
Local pub	4%	37%	1.5%	Groceries, homewares & household goods	£203,776	£2,791
Take-away	6%	29%	1.7%			
Full-size supermarket	10%	18%	1.8%			
local' format supermarket	4%	21%	0.8%			
General online retailer	2%	41%	0.8%			
Local café	2%	28%	0.6%			
Local restaurant	5%	34%	1.7%			
Online grocery retailer	4%	24%	1.0%			
Newsagent	2%	28%	0.6%			
<b>Weighted av. sectors above</b>			<b>1.4%</b>			
Clothing retailer	3%	39%	1.2%	Clothing & footwear	£33,866	£396
Cinema	2%	26%	0.5%	Leisure admissions	£13,749	£71
Airlines	4%	41%	1.6%	Air travel	£2,099	£34
TV provider	6%	27%	1.6%	Television services	£6,368	£103
Mobile service provider	13%	24%	3.1%	Telephone services	£14,617	£456
Internet provider	16%	32%	5.1%	Internet services	£3,618	£185
Energy supplier	24%	17%	4.1%	Domestic energy	£33,577	£1,370
<b>Total UK consumer expenditure in sectors subject to 'service-driven switching'</b>					<b>£311,671</b>	<b>£5,407</b>
<b>Total consumer expenditure 'moved' by service in past year</b>						<b>£5,407</b>
Banks (current accounts only)	9%	44%	4.0%	Savings	£57,841	£2,314
<b>Total UK consumer expenditure AND current-account savings</b>					<b>£369,512</b>	<b>£7,721</b>
<b>Total 'Money moved' by service in past year</b>						<b>£7,721</b>

\*expenditure data is derived from the latest available ONS Family Expenditure Survey data (2012). In order to produce estimates for household spending for 2014, we have universally adjusted-up expenditure totals by cumulative consumer price inflation in the period August 2012 to August 2014 (+4.02%).

\*\*Amounts held in current accounts represent average UK adult's current account balances of c.£1,130 (estimate based upon GFK Financial Resources Survey data provided by first direct, August 2014, Future Foundation / first direct survey data (as elsewhere) and Future Foundation proprietary survey research, 2013.

All percentage figures are derived from our survey, 2,012 UK adults aged 18-64, October 2014, Source: first direct/the Future Foundation, 2014.

As the table above shows, our calculations lead us to conclude that **customer experience-based switching 'moved' some £5.4 billion of consumer spending in the UK this year. And it also 'moved' £2.3 billion of savings held in current accounts, for a grand total of £7.7 billion per annum.**

This is to say, the best part of eight billion pounds simply walked out on UK businesses last year, in search of better treatment. And money that walks is money that talks.

We also see:

- Rates of switching and customer-experience-driven switching vary considerably from industry to industry. Industries with the highest levels of switching last year included energy suppliers, ISPs, mobile service providers and supermarkets.
- The switchers most likely to be motivated by service were airline switchers (41%) and pub-switchers (37%), while supermarket-switchers (18%) and energy-switchers were least likely to be motivated by service (17%), switching instead to seek better prices or products.



- The net result is that service-driven switchers are most prevalent among customers of ISPs (5.1%, one in twenty per year), energy suppliers (4.1%, one in twenty-five per year), banks (current accounts) (4% per year) and supermarkets (1.8%, one in sixty per year).

Even smallish annual numbers of service-driven switchers will have huge implications for businesses within a fairly short time span, as well as accounting for quite spectacular sums of expenditure in the national perspective.

## 5. The UK customer experience map

In the final part of this research, we looked at variation in customer experience of locally-based businesses, and variation in the prevalence of our customer types, at three levels of geography:

- UK government office regions
- UK major conurbations
- Urban vs. rural (city centre, suburban, small town, village, isolated location)

Due to the large volume of data here, we recommend reference to accompanying **data tables**, and only attempt a 'top-line' summary here.

### Local leisure providers and retailers – where are the UK's best?

Combining our results, we can conclude that the very best customer experiences in the UK are most likely to be found:

- In a local pub or restaurant (or perhaps a café)
- In the cities of Hull, Liverpool or Stoke, and/or,
- In a village or isolated rural location
- In the regions of Yorkshire, Wales or the North East of England



# Conclusion

## Into the future – network relationships and the shape-shifting organisation

The key point is this. It is an epochal truth that in the network society, we are friends with who we like, we are loyal to who or what we want to be, we believe in what we believe in. Hierarchical and authoritarian relationships are *out*, in just about every sphere. If we ever met a bank manager, we'd look him square in the eye.

At every moment, in any network/relationship, we can take part (and expect a warm welcome) or not take part, and expect to be left to our own devices. We hate the cold-shoulder and the over-demanding alike. No-one wants to walk away, but leave we can and will (well, 80% of us, perhaps).

But the new technology landscape also means that businesses that get it right can become perhaps the *ideal* network entities<sup>4</sup>, communities when we want to share, simple machines when we need to get-stuff-done, angels-at-our-shoulder who mostly keep their traps shut. They will be doe-eyed maidservants and pool-boys if we want to feel empowered, swift technicians if we want something fixed-up, wise old *Alfred Pennyworths*<sup>5</sup> when we need a hand on our shoulder.

Smart organisations will serve efficiently *when* customers want serving, warn early when customers need warning, tailor a service to needs and a relationship to (ever-changing) moods and preferences. They will inform but never pester, empower frontline employees and value customers' time like they're waiting brolleyless in the rain for a romantic rendezvous. *And the very smartest of all, perhaps - those who deploy the smartest technology of them all, the people person - will sense the day when normally-busy Siobhan happens to be in need of a friendly little chat about nothing-in-particular.*

If the best of today's CRM systems can deliver *something in your size*, those of the 2020s will aim to deliver *a perfect pair of jeans*, to all their customers, on good days and bad days alike.

All this, of course, is perfectly possible with existing technology – but progress must always walk the long march through institutions, systems and practices: the path will lie through building systems on the back of big and bigger data, evolving internal management and training, better-integrated systems, and consumers who (in many, perhaps growing numbers of cases) will actively assist in building a better, closer relationship. Nothing particularly sci-fi here. Progress will be gradual, but we think we're seeing the outlines of a fundamentally new way of managing customer experience.

So, let's summarise - two essential forces shaping the future of customer experience management:

**Firstly** – as we discussed earlier – we're seeing the development of lasting, deepening, but always-provisional relationships of fundamental equality between customer and big-businesses. This finds expression, however occasionally, in customers sometimes wanting something *back*, in whatever form,

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<sup>4</sup> "Network entities"... well, there simply never has been an organisation/community/network like it. The shape-shifting nature of twenty-first century customer experience provision is something so new, with so much unknowable potential, that 'entity' feels about right!

<sup>5</sup> Bruce Wayne, a.k.a. Batman's faithful manservant/mentor. A figure combining caring, wisdom, authority, while retaining an essential servility.



some kind of quid-pro-quo, the need for a personal and ethical/respectful balance in the relationship, for there to be a little bit of Yin in companies' Yang-bang-thank-you-Mam.

**Secondly** - as we have just said - the twenty-first century business will become a changeling, a shape-shifter, the ideal partner who always seems to know how you want them to be, without you having to tell them.

Successfully delivering a sense of an ongoing, mutually-respectful and **balanced relationship** with moment-to-moment and context-to-context **flexibility of approach** will define the character of the best businesses of our generation.

We always wondered what *Karma Chameleon* meant.

