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How Much Irritation Will Customers Tolerate?

Most clients I work with want to increase customer satisfaction, create devoted customers, and build customer loyalty. They want to create customers who recommend them to all their friends, and develop advocates that will Tweet, post, and openly rave about them.

Given this, clients often ask, "What can we do to create a product or service that will "Wow" the customer? How can we have the most user-friendly experience? How can we be trusted advisors? How can we provide value-add? How can we build a brand that customers love?" And so on. These are all good questions, and can rightfully become critical business goals for a company.

Before we embark on a crusade to create our Wow experience, however, it may be appropriate to pause and ask whether that is the right focus for where we are in our execution of the customer experience. A corresponding question is whether a Wow experience will even matter, whether it will have an impact on desired customer behavior.

Brad Gale in his book, **Managing Customer Value**, wrote some years ago about the issue of whether "good" is good enough. He shared data that indicated customers who rated a product/service as simply good (not great), were far more likely to switch than customers who rated the product/service as great.

There have been numerous other studies done that showed only the top ratings were ones that led to significant loyalty and anything beneath them left people more open to switching. I am not refuting this general principle. What I am offering, however, is an additional way to think about this issue of what is good enough.

First, we need to consider switching costs when considering whether customers' satisfaction ratings would predict their loyalty. Second, we should look at whether there are irritants in the customer experience that we might fix to prevent customers reaching a tipping point and defecting, regardless of switching costs.

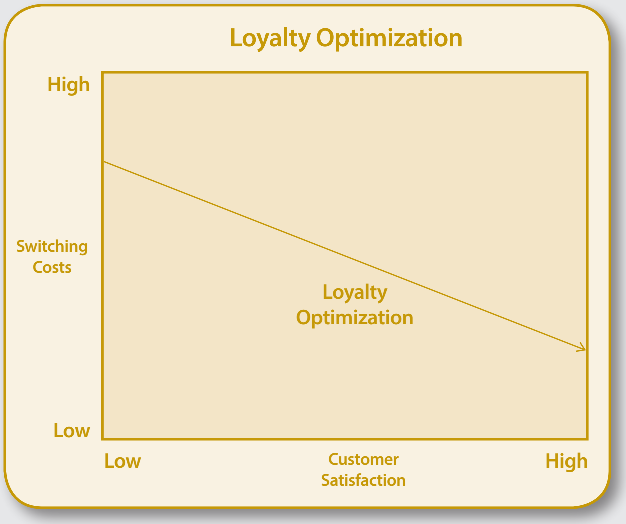
It might be easy, and perhaps folly, to suggest that in some instances it may not matter whether a customer is delighted. But caution to the wind, it may be that good is indeed good enough for some customers. It all may depend on the costs of switching.

Airlines are a good example of switching costs in action. These firms long ago intentionally put in place loyalty programs – to build switching barriers. If I fly different airlines, I don't get the perks I get if I fly only one carrier as a loyalty program member. Beyond these programs, however, is the simple impact of routes and schedules. If I want to go to a given city, there often is really only one airline that makes sense to depart or arrive at a certain time with minimal travel time/stops. If I want to travel on a different carrier, it might mean more stops, a longer route, less convenience, and greater hassle. These are all switching costs.

Banking is another example of switching costs in action. Once I have set up my accounts, established passwords, input all my suppliers for electronic payments, maybe added wire transfers with other accounts, linked overdraft to my credit card, and so forth, I have created a labyrinth of switching barriers. How bad would service have to get before I say, "Enough, I am changing banks?" Just the thought of having to go through all that again makes me shudder; I have better things to do with my time.

In contrast, consider a neighborhood restaurant. Let's assume there are other restaurants in the area, any number of which would be suitable. If I go there and the food was "OK" not great, I could easily go to a different restaurant on my next dine-out experience. No problem. In this case, there are few switching barriers, and "good" may indeed be not good enough. I could easily defect to another restaurant option.

This leads me to posit that the needed levels of customer satisfaction to prevent defection and produce loyalty may be a function of the magnitude of switching costs, as illustrated in the hypothetical graph below.



Hence, before you invest tremendous sums in a loyalty strategy designed to create a Wow experience, it might be advisable to consider whether your particular business benefits from the impact of switching costs. The greater the switching costs, the more that one might first ask, "Do we really need to create a "Wow" experience?" Correspondingly, "Are we creating irritants to customers that will, over time or at some tipping point, cause customer satisfaction to go so low that the benefits of moving to a new provider (and being rid of the irritants) outweigh the costs of switching?"

Going back to our airline example, the old physician adage might best apply – "Do no harm." If my preferred carrier gets me safely where I want to go, with a competitive price, and some modicum of comfort and civility, I might have no reason to consider another carrier.

How much could customer loyalty with an airline increase simply by not irritating the passenger? What might the carrier be doing to cause a passenger to build up strong negative feelings (at once or over time) to reach the tipping point where the passenger defects and absorbs the costs of switching?

Case in point: I continue to fly my preferred airline even though I recently wrote the CEO about the terrible, as in mind-bogglingly terrible, experience they recently put my son through on his first solo trip to Europe. I have never written a CEO before, but I did; I was that irritated. And, I knew while writing that it would never get to the CEO, which it didn't. A customer service rep responded with normal platitudes, promising to do something for my son while he was en route, which the rep didn't do.

But I still fly them. If they would have not done all the irritating things they did and simply gotten him to his destination as promised, it would have been good enough. Now if they do something like his bad experience again, they can take my 1.6 million lifetime miles and park them on the tarmac. Tipping point. BTW, a similar incident happened with my daughter, on her honeymoon, with a different carrier. She and I swore never to use that airline again. And we haven't. I was not locked in by switching costs with them; neither she nor I was a big loyalty program member with them.

So, what's the point? Bad service or a bad product is OK? No. At some point bad service or a bad product will catch up with any company, no matter what the switching costs. But as switching costs go up, good may become good enough to prevent defection.

For companies that enjoy high switching costs, the strategy might first be to go on the hunt for irritants that can be removed or prevented and that could cause defection despite the switching costs. After taking care of that, then look at whether there is value in building that "wow" experience to go to another level – to attract new customers switching from others if nothing else!

Conversely, as switching costs go down, be very careful not only to eliminate the irritants, but also to create more of the Wow experience. This entails a simultaneous two-part strategy of removing the irritants and creating the Wow experience – customers can easily switch and won't abide "good enough" in this case.

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We pride ourselves on our ability to truly understand the voice of the customer and translate that voice into winning strategies for brand development, marketing communications, customer relationship enhancement, and product/service innovation.