



*High performance. Delivered.*

## Building a Differentiated Service Experience Strategy

Using the Power of Expectation Setting and  
Customer Choice to Drive High Performance

• Consulting • Technology • Outsourcing

Ah the old preschool catch phrase, "You get what you get and you don't throw a fit." If you're like me, that little ditty never really pacified me. As it turns out, I was not alone. Quite simply, consumers want what they want when they want it. Accenture's latest research confirms that consumers of all ages overwhelmingly want the ability to customize their service experience.

But, companies tend to shy away from offering a differentiated service experience. For good reason: The things that matter to customers vary widely by age, location, intention, and many other factors. Customer preferences and expectations are constantly in flux and, as a result, companies are at a loss for how to execute against such dynamic diversity. Furthermore, since dissatisfying a customer now comes with far greater implications, companies tend to rely on a "one size fits all" service model hoping to satisfy as many customers as possible. However, our research found that this uniform approach is no longer acceptable. In fact, we found that:

- Consumers do want a customized service experience and most expect special treatment for being good customers.

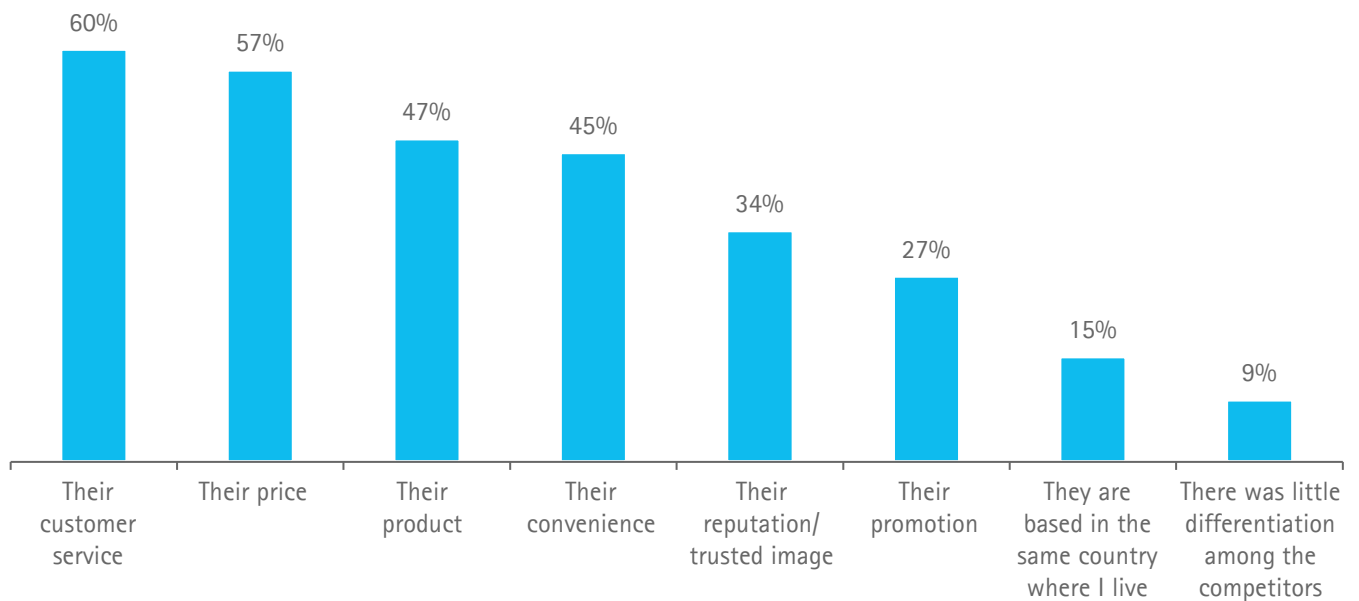
- Customers are open and responsive to having their service expectations set for them by their service providers.
- Consumers are far more receptive to differentiated service if they feel they are empowered to control their service choices even if their choice comes at a cost.

Accenture's research confirms that companies can increase customer retention, reduce support cost, and grow their customer base by providing a differentiated service experience that incorporates consumer control and choice. Winners will move away from one-size fits all support models opting instead for treatments that align more closely to customer value.

Accenture conducted primary research with 2,900 consumers in North America to test consumer receptivity to differentiated service strategies. We sought to understand the impact that differentiated offers have on brand perception, price sensitivity, and customer purchase behaviors across industries. In addition to asking more general questions, our research presented four differentiated service offers across the airline, banking, communications and the utilities industries. We share our findings in this report (see appendix for further details on our research methodology).

Figure 1: Reasons for Choosing New Service Providers

What factor(s) made you choose the new service provider(s)?  
(Multiple mention)



Source: Accenture Global Customer Service Survey 2010

## The Importance of Cracking the Code on Customer Satisfaction

Companies have spent billions of dollars trying to "crack the code" on customer satisfaction (CSAT). That's understandable. Ultimately customer satisfaction translates into greater market value. Over the ten year period from 1996 to 2006, a portfolio of companies whose American Customer Satisfaction Index (ACSI) scores had risen and were above the national average far outperformed the market gaining 212 percent in stock price while the Standard & Poor's 500-stock index rose 105 percent<sup>1</sup>.

Our own research confirms the importance of service satisfaction, as it shows that customer service is a primary reason for both switching away from a provider and selecting a new one. Accenture research reveals that two thirds of consumers surveyed said they had taken their business someplace else at least once during the past year because of poor customer service. Across all age groups the top reason consumers switched providers was "overall poor quality of the customer experience<sup>2</sup>."

In addition, our research shows that customers who care about preferential treatment will seek it out in a new provider. Accenture's annual Global

Consumer Research showed that, for the first time in 2010, service was the top reason consumers choose a new service provider (it was even more important than price) (see Figure 1). Thus service not only drives retention but—increasingly—growth.

As the importance of customer service grows, so does the bar for acceptable service performance. Customer service expectations among consumers globally continue to rise compared with both 12 months ago as well as five years ago. Overall, nine of ten consumers have the same or higher customer service expectations than just one year ago.

1. "Customer Service when Service Means Survival," Businessweek, February 18, 2009, [http://www.businessweek.com/blogs/personal\\_finance/archives/2009/02/customer\\_service\\_when\\_service\\_means\\_survival.html](http://www.businessweek.com/blogs/personal_finance/archives/2009/02/customer_service_when_service_means_survival.html)

2. Accenture 2010 Global Consumer Survey.

Clearly what “best service” means to one customer is not what “best service” means to the next customer—and when a “one size fits all” service model is applied, customer dissatisfaction is often the result.

## The Struggles with CSAT

Despite its importance, companies across industries struggle with CSAT and it's no wonder why. Taking a “one size fits all” approach to CSAT does not serve their diverse customer base. While many companies want to meet diverse customer needs they typically do not have the tools to formulate a data-driven perspective on what drives individual customer satisfaction. As such, they tend to make investments into a universal service model that they believe will satisfy the majority of their customers.

This finding from our recent global research exemplifies the challenge of pinning down consumer service expectations. We asked a global panel of nearly 7,500 consumers to name companies that provide them outstanding and, conversely, terrible customer service. Interestingly, when we aggregated this data we found that 50 percent of the top 20 responses appeared on both the best and worst service lists both years surveyed. Clearly what “best service” means to one customer is not what “best service” means to the next customer—and when a “one size fits all” service model is applied, customer dissatisfaction is often the result.

An additional challenge to managing CSAT is the increasing extent to which customers influence and are influenced within the social media channel. A common rule of thumb used to be that a customer told eight people of a good customer service experience and 22 people of a bad one... and then came Social Media. Twenty-six percent of consumers

Accenture surveyed posted negative comments on social media after having a bad customer service experience in the last 12 months. One dissatisfied customer can now influence hundreds or thousands of others almost instantaneously. This reality often paralyzes companies by creating a fear of trying anything different (and yet, something different is often exactly what is required). At best, companies focus on avoiding dissatisfaction or a service calamity rather than on truly creating a satisfied customer.

Adding complexity to customer service management is that customers expect multi-channel service options and many prefer self-service. Each year service technologies grow in importance to the customer experience. When asked about the importance of being able to access customer service using multiple channels, 72 percent indicated it was important or very important (up significantly from the year before). And, when asked about the statement “If possible, I generally prefer to use self-service applications (Web, Chat, Forums, Interactive Voice Response, SMS, etc.) to satisfy my customer support needs,” 70 percent of respondents agreed, strongly agreed or were neutral.

So how can companies crack the code on creating a service experience that consumers' value without breaking the bank? There appears to be a common thread among the companies that appear only on the “best” service list from our consumer research. The best companies invest heavily in personalized and differentiated service delivered through highly configurable experiences.

## The Correlation between Customer Control and Brand Perception

In our survey, consumer attitudes were tested around a hypothetical utilities scenario. A fictitious utility company "Power Up" offered to take control of the settings on home utility use remotely. Consumers were asked the discount range they expected in order to opt in to the program (and give up control to the company) and the amount they would be willing to pay to opt out of the program (and assume control back).

To opt into the program, the vast majority of consumers expected a sizable discount (94 percent expected more than a 5 percent discount and 20 percent of consumers surveyed

expected a discount of over 30 percent). Conversely, when asked what they would pay to opt out of the program only 55 percent of consumers reported that they would pay more than a 5 percent premium for complete control, and less than 5 percent of respondents would pay the 30 percent premium (see Figure 2).

The first scenario outlines the cost of taking control away from the consumer, the second the price they are willing to pay to get control back. In this case, the scenarios resulted in a financial spread of 40 percent (30 percent discount to 10 percent premium).

We also categorized survey respondents into three groups based on the level to which they value control (those who value control the most, average, and least). We found that in all cases, the consumers who

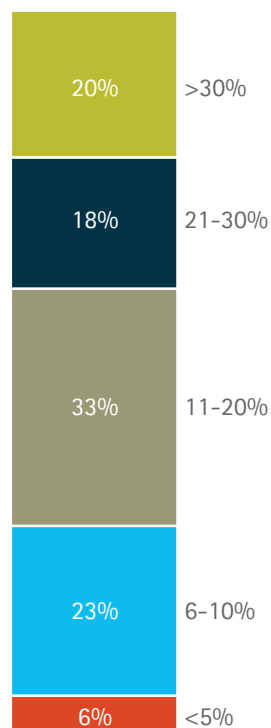
value control the most were the ones with the most adverse perception of the company presenting the offer and would require a great deal of incentive to change their behavior.

Perceptions were most positively impacted among those who value control the least. When presented with an airline offer of a reduced fare to book online, those who value control the most had the most adverse perception of the company as a result of the differentiated offer. They also expected the biggest discount to participate. Seventy-two percent expected more than a 20 percent discount on airfare to participate.

Figure 2: Perception of the Cost and Price of Control

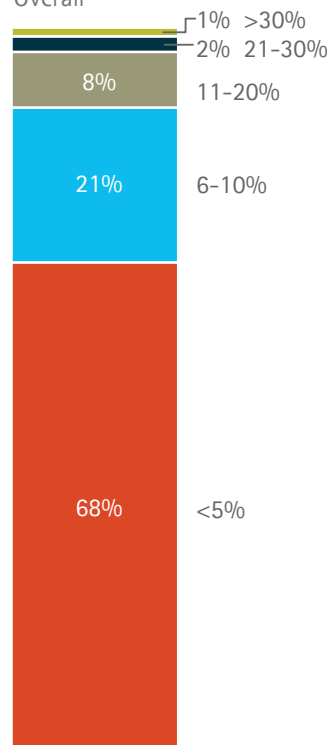
If you opted into this program, how much discount would you expect to receive on your monthly bill for allowing POWER UP to remotely change the settings of your home appliances?

Overall



If you opted out of the program, how much more would you be willing to pay on your monthly bill for the convenience of complete control over your home appliances?

Overall

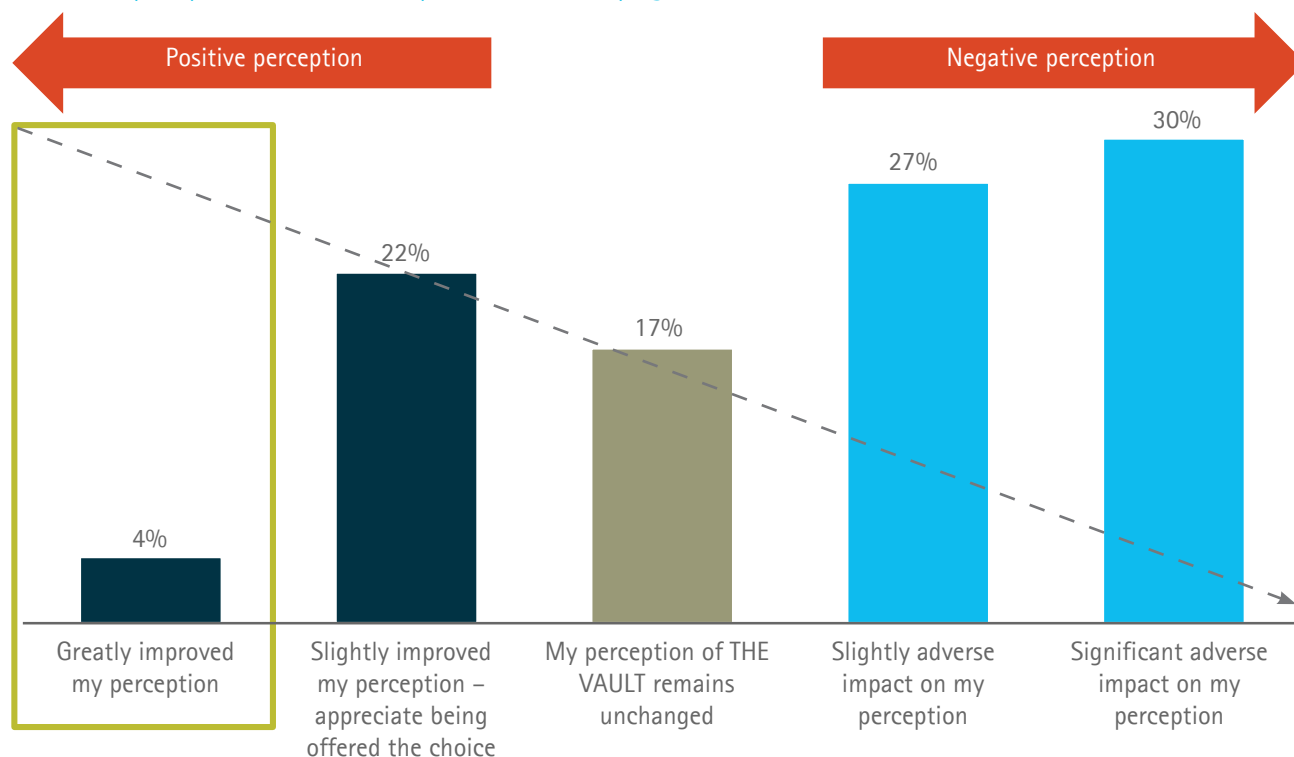


Source: Accenture 2010 Differentiated Service Research



Figure 3: Consumer Perception of Penalties

How is your perception of THE VAULT impacted by the new program?



Source: Accenture 2010 Differentiated Service Research

When consumers were presented with a bank offer incenting them to use self-service options, those who value control the most had the most negative perceptions resulting from the offer.

A full 64 percent of consumers indicated their perceptions were adversely impacted compared to 53 percent of those who value control the least. In fact, 42 percent of respondents who value control indicated they would never sign up for the \$15 cash bonus. Perceptions of people who value control the least

were most positively impacted with this offer (29 percent compared to 21 percent of the high value on control group).

In sum, the value customers place on control and personal empowerment relative to support services appears to be a strong attribute in determining their receptivity to differentiated service offers.

## Pricing Structured on Incentives Versus Penalties

Regarding expectations for discounts or surcharges for various support services, consumer responses were varied. In general, consumers want incentives versus penalties and they don't want to be charged more for better service. When presented with an offer from a bank to receive a cash bonus to use self-service applications but be charged for teller transactions and call center advice, 57 percent reported a more negative perception of the bank (see Figure 3).

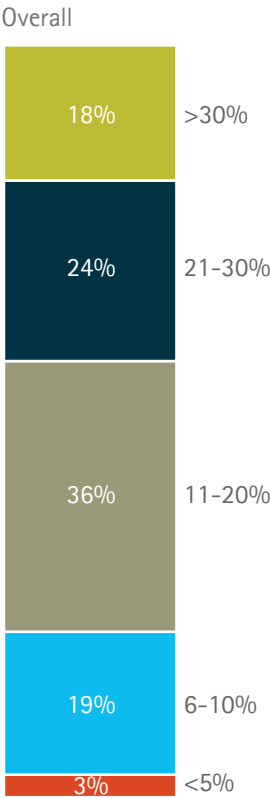
Consumers also want incentives such as discounts to accept lesser service. For instance, when presented with an offer of a reduced fare for booking a flight online and bypassing reserved seating, about 22 percent of consumers expected a discount of 10% or less to book online and give up reserved seating. 18 percent expected more than a 30 percent discount (the remaining 60 percent expected between 11 and 30 percent) (see Figure 4)

Overall, consumers want a lot to give up control.

When given the choice among service options, the majority of consumers will choose lower cost/service choices that are also typically less expensive for the company to provide. We presented consumers with the choice of three different service packages (from largely self service (accompanied by a discounted rate) to premium or platinum service (billed at a surcharge)) when contracting for a bundled communications offer. When presented with the choice of support, 91 percent indicated they would choose either standard or self-service support options, both less expensive for the company than the platinum support package (see Figure 5).

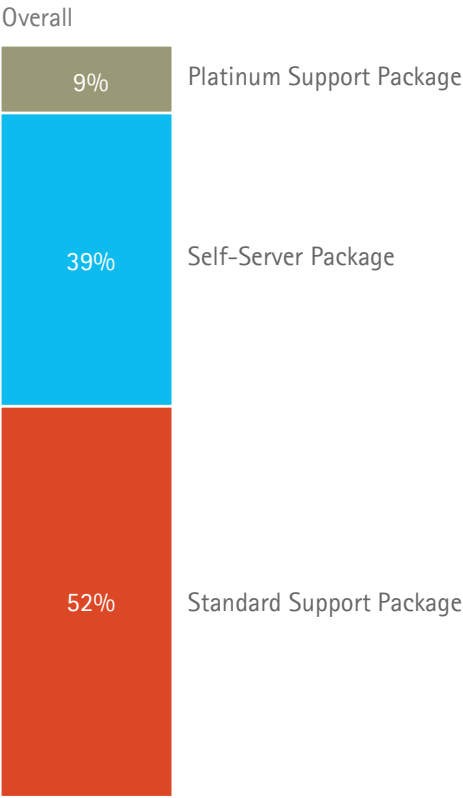
In each of the above examples, consumer reactions to the pricing and incentives for differentiated offers varied as the segmentation of respondents became more granular around age, income, household status and other factors—reinforcing the importance of digging deeply into segmentation strategy, using analytics and testing extensively prior to launch.

Figure 4: Perception of Discounts as Incentives  
How much discount would you expect to receive for booking the new Economy First fare?



Source: Accenture 2010 Differentiated Service Research

Figure 5: Consumer Choice of Support Options  
Which of the support packages would you likely opt for?



Source: Accenture 2010 Differentiated Service Research

## Creating a Differentiated Service Experience

Accenture believes that winners will excel at creating differentiated experiences that better match customer experience with customer value. Our research findings provide insights into the validity and nuances of creating a successful differentiated service experience.

**First, there is much support—and little downside—for companies to pursue differentiated service models.** Many companies resist creating a differentiated service model because they operate under the assumption that providing preferential treatment for some customers is going to adversely impact the perception and satisfaction of others. However, our research shows this is not the case. Ninety percent of consumers surveyed either want specialized treatment or don't care if special treatment is

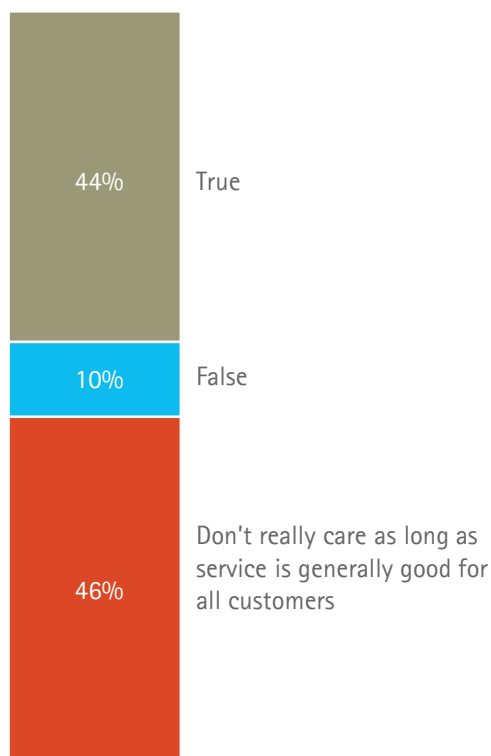
offered to some customers as long as the overall service is satisfactory (See Figure 6).

When we probed at an industry level, these opinions held steadfast. We asked consumers about how their perceptions of companies were affected when presented with various service offers across the airline, banking, communications and utilities industries (see appendix for a description of the offers tested). Across industries and offers between 25 percent and 40 percent of respondents indicated an improved perception of the company as a result of the offer being presented. For instance, when presented with an offer of a reduced fare for booking a flight online and bypassing reserved seating, nearly 40 percent reported an improved perception of the airline. Across all industries, brand perception improved when a company offered differentiated service offers to its customers.

Figure 6: Consumer Sentiment Regarding Specialized Treatment

I like it when companies provide special treatment for their more important customers:

Overall



Source: Accenture 2010 Differentiated Service Research

**Second, consumers are open and responsive to having their service expectations set for them by their service providers.** Customer satisfaction ultimately starts and ends with trust in the enterprise providing the product or service. In recent Accenture research, 44 percent of consumers said one of the top three reasons they switched providers was a loss of trust in the company. Trust is built through reputation, familiarity, competence, repetition and collaboration. It is established half through expectation setting and half through service delivery.

Most companies tend to focus heavily on service delivery versus expectation setting. However, without a comprehensive understanding of the expectation they are delivering against, it's difficult to meet the target. By proactively setting service expectations, companies can simplify and improve their ability to deliver against expectations.

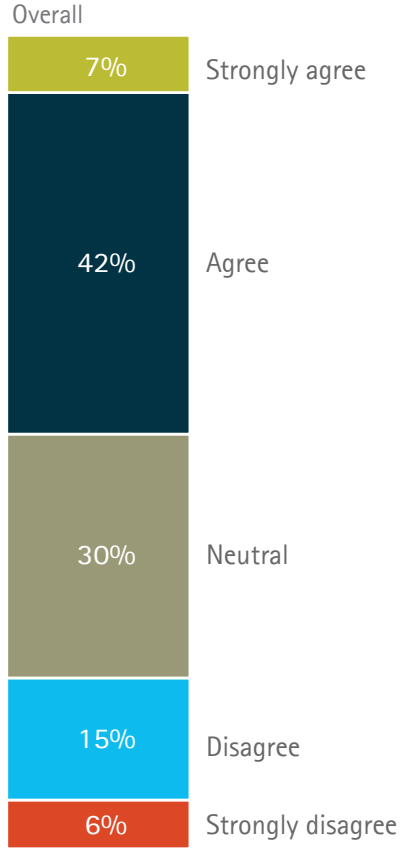
We tested consumers' receptiveness to having their expectations set for them by asking their opinion about paying for a particular service model in advance. Specifically we asked consumers the degree to which they agreed with the following statement: "Companies should offer various support packages at the time of purchase so that the true cost of support better aligns with the product cost." An overwhelming majority (79 percent) indicated their willingness to choose among a set of support packages offered to them at the time of purchase. This receptivity clearly indicates companies have an opportunity to proactively establish a customer's service expectations based on differentiated support offers (see Figure 7).

In the same way, companies can modify or erase existing service expectations through the introduction of differentiated support offers. Left unmanaged, customers assemble their

own service expectations from their collective experience across a variety of providers. The result is an ever increasing expectation that may not be intuitive to the service provider or easy to identify. Through a proactive effort to set service expectations through differentiated support offers, companies can set or modify customer perception and establish a clear performance target for their service delivery.

Figure 7: Consumer Reaction to Differentiated Offers

Since customers require different levels of customer support, companies should offer various support packages at the time of purchase so that the true cost of support better aligns with the product cost:



Source: Accenture 2010 Differentiated Service Research

**Third, consumers are far more receptive to differentiated service if they feel they are empowered to control their service choices.** In fact, consumers overwhelmingly want to control their service experience. Eighty-two percent of all consumers in our research said they appreciate a company that allows them to customize the products and services they receive based on their personal preferences and situation (see Figure 8).

Unfortunately, many companies have been misguided in their assumption that the primary customer satisfaction lever to manage is cost (offering the most costly premium service experience to the highest value customers). Indeed, our research indicates that choice and control are important CSAT levers. Assuming that high-value customers prefer high touch (and expensive) interactions is a flawed approach. It may be beneficial for companies to instead offer their more valuable customers the higher control

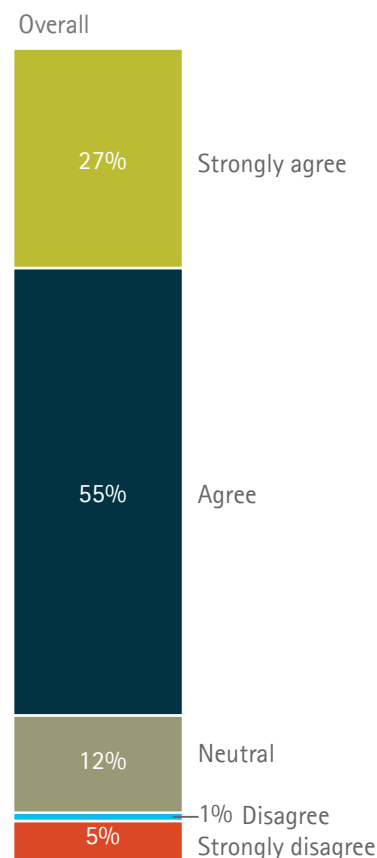
and configurability of their service channels. In other words, the higher value I represent as a customer, the more I should be enabled to tell the company how I want my service experience to be.

Our research also demonstrates that control must be balanced against the need for choice. Perhaps the choice offered to a lower value customer segment is to pay for more control or for a different bundled offer. But, a higher value customer may have that choice without a cost. Control and choice are two distinctly different but related satisfaction levers at the company's disposal.

Consider our industry findings around control and choice. We presented consumers with the choice of three different service packages (from largely self service (accompanied by a discounted rate) to premium or platinum service (billed at a surcharge)) when contracting for a bundled communications

Figure 8: Consumer Sentiment Regarding Control and Customization

I appreciate a company that allows me to customize the products and services I receive based on my personal preferences and situation:



Source: Accenture 2010 Differentiated Service Research

offer. Thirty-nine percent of consumers indicated their perception of the provider improved as they appreciated being given the choice, and 33 percent of perceptions remained unchanged.

In contrast, lack of consumer control resulted in negative brand perception. In our research we tested the scenario of a utility offering a credit to customers that gave control over the setting of home electricity usage to the utility. This offer resulted in a more negative perception of the utility across consumers of all incomes and occupation categories. In this test, the attribute of customer control (or loss of control) strongly influenced perception and receptivity to the offer.

Taking this utility test further, we learned that control is not just a satisfaction lever but also a critical revenue lever. To opt into the utility's program (and thus give up control), the vast majority of consumers expected a sizeable discount (94

percent of consumers expected more than a 5 percent discount). Consumers also indicated they would pay to regain control. For more detail on the influence of customer control see the sidebar, "The Correlation between Customer Control and Brand Perception."

One additional bit of good news for service providers regarding choice and control is that, when given the choice, many consumers would choose self-service and a lower cost-to-serve experience. The challenge is knowing which consumers most appreciate self-service when designing the differentiated service strategy. For example, our research showed that 46 percent of respondents with graduate degrees agree or strongly agree with the choice of self-service.

In addition, professional and technical managers as well as students most often choose self-service. And, across income categories, higher income

respondents (those earning more than \$70,000) appreciate self-service more than other income categories. In summary, truly knowing your customer segments and their needs is fundamental. Then, offering choice does not always have to mean a higher cost to serve.

## Guiding Principles for a Differentiated Service Experience

Our research findings demonstrate that the next generation of customer experience transformation will require a sophisticated differentiated service strategy and a detailed understanding of customer segments. As organizations journey toward building their differentiated service experience, our findings provide a few guiding principles.

A deep understanding of customer segments is critical to getting differentiated service right. All sorts of factors must be considered (politics, segmentation, price, etc.). Don't underestimate the insights that can be gained by digging deeply into specific segments. And, to test the expectations of each segment and confirm an approach, measuring the reaction to differentiated offers in a controlled

customer group is paramount (see the sidebar "Finding the Right Balance of Empowerment and Choice"). Furthermore, attitudinal attributes such as the value the customer places on control and choice can be significant predictors of service-level expectations and behaviors. Thus, behavioral profiles and dynamics could more accurately define the best segmentation strategy. In addition, using analytical tools to develop a more detailed understanding of customer needs and behaviors is critical to the process.

When developing differentiated offers it's important to remember that consumers respond most positively to offers that are created around their specific needs. Since customer segments respond differently to different offers, offers must be tailored to each strategic segment. In addition, offers should consider competitor strategy and be created to achieve specific business goals for the enterprise.

And, since customer perception, expectation, and experience are intricately connected, companies must understand, plan and control the subtle differences that offers communicate (for more detail on findings related to pricing of differentiated service see the sidebar, "Pricing structured on incentives versus penalties").

Companies that consistently deliver satisfying and profitable customer experiences are more likely to achieve superior financial performance. Leading organizations are already moving away from one-size fits all support models and leveraging differentiated service strategies to better match customer experience with customer value. Those that crack the code on how to operationalize a differentiated service experience strategy will benefit from cost-efficient service delivery, greater customer retention and growth and will make significant strides in their pursuit of high performance.

## Finding the Right Balance of Empowerment and Choice

Constructing offers that meet the company's needs and effectively empower customers with choice and control is not easy. Many factors must be carefully measured and evaluated, from the industry and competitive set within which you operate to the socioeconomics and behavioral attributes of your target customers.

Consider the backlash against airlines offering customers the choice to accept or decline incremental services by charging fees for bag check, meals, and more. Airlines not charging the fees feel like their brand perception, and sales, have improved. "We've seen a year-over-year market share gain of approximately 1 percent, which translates to \$1 billion in new revenue," said Southwest's Paul Flanigan. "And we believe one of the reasons is that we're not nickel and diming passengers<sup>3</sup>." In fact, many consumers have taken issue with the perceived penalty assessed for bag check. Instead of paying \$25 to check a bag, many passengers are taking an oversize carry-on onboard in hopes of a gatecheck for free.

Offering choices is empowering to customers, but how many choices are optimal? Columbia professor and researcher Sheena Iyengar studied choice for many years prior to publishing her 2010 book "The Art of Choosing". In one study she set up a free tasting booth in a grocery store and offered six different jams. 40 percent of the customers stopped to taste; 30 percent of those bought jam. A week later she set up the same booth in the same store, but this time she offered 24 different jams. 60 percent of the customers stopped to taste but only 3 percent bought jam. In this scenario shoppers were 10 times less likely to buy. Her lesson? Having choices is appealing but too many choices results in less likelihood of buying<sup>4</sup>.

Providing the right level of empowerment and choice is complex but the charter is clear: Organizations must be able to understand their specific customer needs and tolerance levels to provide choice and empowerment that drives revenue versus purchase paralysis or disenfranchisement with the brand.

3. Hernandez, Barbara, "Passengers Avoiding Airline Baggage Fees" CBS Interactive Business Network (BNet), September 15, 2009, <http://www.bnet.com/blog/travel/passengers-avoiding-airline-baggage-fees/3473>

4. Iyengar, Sheena, "The Art of Choosing", <http://sheenaiyengar.com/the-art-of-choosing/excerpt/>

## About the Research

In September of 2010 Accenture conducted an Internet-based survey with 2,900 consumers across the United States. Our objective was to gain a more detailed understanding of consumer receptivity to companies offering a differentiated service experience across their customer base. Our sample was well distributed across age, income and education attributes. Occupations of respondents ranged from professionals to clerical workers to students and those unemployed.

In addition to asking more general questions, our research presented four differentiated service offers across the airline, banking, communications and the utilities industries. We then asked a number of questions about consumers' perceptions and response to each offer. The survey assessed following areas related to these offers:

- Brand image and company perception.
- Buying patterns and behavior.
- Preferences towards certain offers.

Many of those results are presented in the above report. For reference we include the details of each offer here.

### Airline Offer

BLUESKY AIRLINES advertises their new "Economy First Fares." To receive this discounted fare, passengers may only book tickets on BLUESKY.COM. Your seat on the airplane will be confirmed but there will be no advanced seat assignments and you will board in an open seating fashion after the full fare customers. All other fares will remain unchanged and you will have the same benefits you have always experienced with BLUESKY if you choose to purchase a standard fare ticket. You fly approximately 10-15 times per year for business and two to three times per year for pleasure. When possible you try to fly BLUESKY.

### Bank Offer

While depositing your pay check at THE VAULT you notice a sign announcing "Better than Free" checking. After inquiring with a teller you are told that you will receive a 0.25 percent monthly cash bonus on your average balance up to maximum of \$15/month. The program encourages you to use self-service applications (Web, Interactive Voice Response (IVR), ATM) for your banking transactions. You will be charged \$5 for teller transactions and \$2 for speaking with a call center advisor. All other banking programs remain unchanged

### Communications Offer

During a call to Communication World the call center agent informs you that as one of their best customers you are entitled to a special bundled offer if you allow Communication World to provide your home phone, wireless, high-speed internet, and television service. The bundled price saves you over \$50 per month based on your current combined spend from two providers and you decide you will accept the offer. While completing the registration process the agent says you have three customer support packages that you can choose from based on your preference.

- The **"Standard Support Package"** provides 24 hour telephone support 365 days a year. Of course there are also numerous other support channels including a great website, customer chat, and SMS services.
- The **"Self-Server Package"** is best for technology-savvy customers that rarely require support. You have access to all support channels available in the "Standard Support Package" however you are limited to two free phone-based interactions a year. All others will be billed at \$.75 per minute if you choose an onshore agent and \$.30 per minute if you

choose an offshore agent (India, Philippines, etc.). For choosing this support bundle you will receive a \$15/month (\$180/year) discount and one free monthly on-demand movie valued at (\$7 per month).

- The **"Platinum Support Package"** is the same as the "Standard Support Package" except you receive priority routing whenever you contact customer care and are guaranteed that your call will be handled by an onshore customer service agent. You also receive free PC protection for all PCs on your network which includes real-time virus monitoring and two free PC check-ups and optimizations a year. If you choose this support bundle \$20 per month (\$240/year) will be added to your bill.

### Utility Offer

POWER UP's energy efficiency and conservation program "Peak Shavers" allows POWER UP to remotely limit the amount of power your large home appliances (such as pool pumps, air conditioners, and refrigerators) require by adjusting the settings. You would receive a credit on your monthly bill if you opted into the program, opting out of the program will increase your utility bill due to increasing rates of residential electricity usage.



## About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 236,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$25.5 billion for the fiscal year ended August 31, 2011. Its home page is [www.accenture.com](http://www.accenture.com).

## About Accenture CRM Solutions

Accenture's Customer Relationship Management service line helps organizations achieve high performance by transforming their marketing, sales and customer service functions to support accelerated growth, increased profitability and greater operating efficiency. Our research, insight and innovation, global reach and delivery experience have made us a worldwide leader, serving thousands of clients every year, including most Fortune® 100 companies, across virtually all industries.

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