To BE or not to BE

Is Behavioural Economics right for customer contact?
EXECUTIVE SUMMARY

Procter, the service & cultural change division of Imparta Ltd an international leading edge sales training company, is putting the academic concept of Behavioral Economics (BE) through its paces by testing it in the real world of customer communications.

Thinking back 20 years – how we access products and services and why we choose to speak to real life people has changed radically. Procter is investigating whether Behavioral Economics plays a role in supporting a “today rather than yesterday” conversation – with a view to adding value to modern day customer interaction.

WHAT IS BE?

Behavioral Economics is a step change in our understanding of how people behave; it can be used to transform the way our customers make economic and personal choices including those related to an organisation’s services. In particular, it challenges the view that people make decisions rationally. One of the hottest topics in business leadership today, it combines economics and psychology to explain how people:

- Do and choose things by observing others and copying
- Use habits to act without considering other options
- Try to ‘do the right thing’ but can’t
- Are loss-averse and want to keep what they already have, rather than try something new
- Value something today over tomorrow
- Change their decisions based on the way information is presented to them

Behavioral Economics has been researched and tested by a number of academics and is most often known as “nudge”. It explains why people sometimes make decisions in a different (often not purely logical) way when influenced by factors such as positioning information, words, actions and attitudes. One example of this would be point of sales positioning of fruit or treats at a supermarket check-out to prompt a certain purchasing choice. Many senior government officials and politicians are examining the way that it can influence the public – for example – improving health, road safety and tax compliance.

‘The key ingredient is choice’

This is in line with the Big Society concept our current government is instilling in us all. The theory that Procter set out to experiment with in reality was that each technique, if deployed correctly, should encourage customers to have a two way conversation and be more in control of making decisions that are right for them.

Procter engaged with some of its main financial clients and worked with Lloyds Banking Group and Barclays Bank plc to test five out of the forty plus Behavioural Economics techniques across eight dynamics – sales, service, complaints, business, consumer, written word, telephone and compliance.
Testing over an 8 week period, using 70 staff to communicate with 69,997 customers – Procter dedicated 764 hours of research time to support the test.

**WHAT DID WE FIND?**

The short answer is that if set up and deployed correctly – Behavioural Economics techniques can have a dramatic impact on customer experience and sales through service. We have stripped out as much bias as possible in our research findings – including allowing for the Hawthorne Effect (impact that because frontline service professionals were being treated as unique and special – then one could argue they delivered better results).

The research demonstrates that there is value in deploying Behavioural Economics – because it gives the frontline additional and different conversational tools to have a more adult to adult interaction. These tools are not widely used (if at all) right now – and because the variables are so huge in terms of number of techniques (over forty) and functional specialism of interaction – it opens up a whole new way to address the challenges facing communities:

- Improving customer experience, re-building trust and relationships with increasingly autonomous customers
- Driving value from the interaction in terms of sales or changing behaviours
- Driving self-service to reduce costs of operation
- Differentiating UK service interactions from cheaper offshored alternatives

**Headline results**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales increase</td>
<td>20.27%</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>7.14%</td>
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<tr>
<td>Resolution improvement</td>
<td>62.5%</td>
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<tr>
<td>Sales conversion</td>
<td>11.85%</td>
</tr>
<tr>
<td>Agent confidence</td>
<td>17.8%</td>
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</tbody>
</table>

Performance against objectives improvement of up to 20% by 62.5% of the pilot team
**Key highlights from the techniques we tested were:**

- Using *bandwagoning* to reassure customers in making decisions
- *Framing* conversations so that customers understood why and what was happening
- Highlighting potential *loss rather than gain* to the customer over their decisions

The down side of Behavioural Economics techniques were minor as we focused on framing the context and delivery. However “dumping” techniques into busy customer focused environments would not deliver the same benefits.

**In summary**

Procter has experimented with Behavioural Economics techniques that we know have a positive impact outside of customer communications and focused on the concept that giving customers considered and adult choices broadens the conversation and enriches satisfaction and bottom line. It’s good that there has been a significantly positive impact on customer, people and business results – however there is clearly a lot more that Procter could do now. We’ve tested five out of forty plus techniques across nearly 70,000 customer contacts – the possibilities are endless and the journey has got off to a great start.

March 2012
TO BE OR NOT TO BE?  NEW RESEARCH FROM PROCTER
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TO BE OR NOT TO BE?

NEW RESEARCH FROM PROCTER
POSITIONING

WHY DID PROCTER PUT

BEHAVIOURAL ECONOMICS (BE) TO

THE TEST IN FRONTLINE CUSTOMER

INTERACTION?
Why did Procter put Behavioural Economics (BE) to the test in frontline customer interaction?

All of Procter’s experience in customer interaction consultancy highlights urgent challenges for the success of customer facing communities.

Customer challenges

- A strong emphasis on value (a combination of price, product and service) is driving consumer behaviour as customers and businesses alike ‘get to grips’ with the economic downturn
- Trust flutters means organisations are attempting to re-build relationships with customers because of mis-selling, broken promises & media splat i.e. MPs expenses scandal – particularly in financial services and the public sector
- Contact interaction complexity is growing as consumers complete basic transactions online and by voice self-service, often leaving frontline customer facing people to deal with difficult or emotional queries
- Voice of the customer programmes are succeeding in measuring perception however are less good at identifying levers for improvement: what are the changes that will drive better experiences?
- Consumer decision making remains difficult to understand despite the range of data and analytical tools available: why do people buy or not, stay or not, value or not an organisation’s services?

Operational challenges

- Driving self-service remains vital for many organisations, although take-up is often not as high as planned
- Yet where self-service is growing and organisations gain through lower costs, there is concern about losing opportunities to sell to and retain increasingly autonomous customers
- There is pressure on UK operations to differentiate the service they offer from cheaper offshored alternatives
- The need for 100% compliance, particularly in financial services, telecoms and utilities, is difficult to achieve but failure is costly (for example - PPI compensation)
• Frontline people engagement is correlated to customer engagement, however organisations are still failing to engage their staff – demonstrated by high levels of psychological absence and low morale

• The next big thing – anecdotally it feels like companies are ‘raising their heads above the parapet’ and asking: What’s the next big thing?

What role could Behavioural Economics (BE) play as a solution to these challenges? How can organisations extract more value from their costly customer interaction operations that encompass more and more channels – voice, web-chat, App, email, letter and internet? And how can better conversations be built with our customer facing staff?

BeHAIvIOuRAl EcOnOMICS – ToppIng The BesTsEllers

BE is in the spotlight as books from Nobel Prize Winner Daniel Kahneman (Thinking, Fast and Slow, 2011), Dan Ariely (Predictably Irrational: The Hidden Forces that Shape Our Decisions, 2008), Richard Thaler and Cass Sunstein (Nudge: Improving Decisions About Health, Wealth and Happiness, 2008) have topped the bestseller book lists. Their work, and that of other behavioural economists, has focused on understanding the irrationality of people’s behaviour.

What is Behavioural Economics – BE?

BE is a step change in our understanding of how people behave; it can be used to transform the way our customers make economic and personal choices including those related to an organisation’s services. In particular, it challenges the view that people make decisions rationally.

One of the hottest topics in business leadership today it combines economics and psychology to explain how people:

- Do and choose things by observing others and copying
- Use habits to act without considering other options
- Try to do ‘the right thing’ but can’t
- Are loss-averse and want to keep what they already have, rather than try something new
- Value something today over tomorrow
- Change their decisions based on the way information is presented to them

Behavioural economists argue that people make choices using short-cuts, heuristics and rules of the thumb, which while not always rational, enable them to navigate the wide range of choices and information which confront them every day. They behave in contradictory ways: people say they want to save for retirement, eat better, start exercising, quit smoking – and they mean it – then they fail to do these things. These behaviours are often driven sub-consciously and academics have tried to understand how the positioning information, words, actions & attitudes in different ways affect decisions as much as product relevance or price.
Changes to the provision of information

Prompting patients to verbally repeat the time of an NHS appointment, asking patients to complete the appointment card and reminding them most people attend has reduced the number of ‘no-shows’ for consultations by 31%.

Stating that 90 people out of 100 survive an operation created greater take up than saying 10 people in 100 do not live.

Changes to physical environment

Etching a small black fly in a urinal — first tried in men’s restrooms at Amsterdam’s Schiphol Airport — was very effective at getting men to aim straight, reducing spillage by 80%.

Moving the signature from the end to the beginning of a car insurance application, meant customers reported driving around 10% more miles (i.e. they were more honest) than when they signed at the end. This amounted to a $97 premium increase per person.
Changes to the default policy

By offering product options at the appropriate points in the customer journey through the website, Birmingham Airport increased conversion rates by between 64% and 93% on tickets and car parking.

Calorie labels had little effect on the number of calories consumed, but as much as a third of the customers who were given a ‘downsize’ offer decided to take less food in a restaurant.

Use of social norms and salience

Changing letters to explain that most people in their local area had already paid their taxes boosted repayment rates by 15%, amounting to £30m per year. HMRC is considering publishing the names of tax evaders to build this social pressure.

Rolls Royce struggled to sell their Phantom at car shows – by the side of cheaper cars – but they sold them at yacht shows. This changed the comparative ‘anchor’ of what was expensive. Although this may be because different people with a different income bracket attended the yacht show.
Part of the behavioural sciences which includes neuroscience, psychology and sociology, BE is a collection of academic studies, amounting to over 40 different techniques. Both David Cameron and Barack Obama have set up behavioural change units to influence citizen behaviour and derive ‘better outcomes’ often focused on healthier living. Cameron, when leader of the opposition, even issued his MPs with a summer reading list and placed the book *Nudge* at the top. This form of libertarian paternalism fits with the times, though equally has been criticised by some for being over-bearing or an example of government straying outside its remit in the public lives. Behavioural economists argue that a consumer can be ‘nudged’ to make the ‘right’ decision. Thaler and Sunstein defined it as:

“... any aspect of the choice architecture that alters people’s behaviour in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates. Putting the fruit at eye level counts as a nudge. Banning junk food does not.”
TO BE OR not TO BE?

NEW RESEARCH FROM PROCTER
CAN BEHAVIOURAL ECONOMICS BE
APPLIED TO CUSTOMER
COMMUNICATIONS?
**CAN BEHAVIOURAL ECONOMICS BE APPLIED TO CUSTOMER COMMUNICATIONS?**

Procter, working hand in hand with research partner Davies Hickman Partners Ltd, wanted to test whether BE could be applied to frontline customer interactions. We have run a unique 8 week trial across three functional teams of BE techniques working with some of the largest providers of financial services in the UK.

- 2 of the largest direct channel operators in the UK, both financial services providers dealing with sales, customer service and complaints across telephony and written word
- 3 customer communications sites employing 3,000 people
- 5 Senior Managers and Directors, with over 20 years experience, have advised and taken part in the trial
- Over 70 frontline people working in customer service and sales
- 69,997 calls and contacts
- Procter team of 8 has committed over 760 hours to the project

The objectives of the research were to

- Discover if BE techniques give an uplift to customer experience and sales
- Explore the impact of BE on employee motivation and performance

Procter used all its resources and 30 plus years experience in customer interaction dynamics to create a programme across the 3 trial sites using BE. At the core of the approach was the PNC model.
Procter started out in the trial focusing on 9 of the 40 plus BE techniques. These 9 were techniques that we felt would have the best impact from a customer communications perspective. This list of 9 was then prioritised to 5 (described below) when the research team analysed business, customer and people goals and objectives of each trial client.

**The Trialled 5 Techniques**

**Bandwagoning** – *do as others do.* The widespread tendency to do what the group or crowd do OR to behave instinctively like most other people.

**Scarcity value** – *I want to be special.* The appeal of the unavailable, being attracted to the hard to get – if it’s plentiful then its value falls.

**Loss aversion** – *when losing is winning.* The tendency for people to strongly prefer avoiding losses to acquiring gains.

**Framing** – *it’s the way you say it.* Setting an approach or query within an appropriate context to achieve a positive outcome or elicit a precise answer.

**Post-purchase rationalisation** – *trust has to be earned.* A special case of choice supportive bias. In the case of purchases of expensive products / services people tend to overlook any faults or defects to justify their decision in making the expensive purchase.
A test and control methodology was used for the trial and employed the following evaluation tools:

- Customer assessment carried out through well known market research brands \(^1\)
- Frontline people feedback
- Team leader and Director observations
- Contact quality (eg listening to calls, checking letters)
- First contact resolution rates
- Sales results

Conscious of the Hawthorne Effect\(^2\) (in this case we had feedback that people were made to feel special and therefore were supportive) – in planning our trial we took the following steps to mitigate its impact:

- Using dummy techniques which were not appropriate to a customer communication environment and then assessing whether these had the same impact as the correct techniques
- Running the trial over an 8 week evaluation period so that initial impacts dissipate over time with measurements at the end of the trial period
- Informally evaluating results post trial closure to evaluate longer term benefit

Note - Details of the specific activities are included in Appendix 1.

\(^1\) The financial services providers already complete independent consumer research which was used in the evaluation.

\(^2\) Hawthorne Effect – where people change their behaviour by the sheer fact that they are involved in something
TO BE or not TO BE? NEW research FROM PROCTER
WHAT WE FOUND
TO BE OR NOT TO BE?
NEW RESEARCH FROM PROCTER
STRONG CUSTOMER EXPERIENCE UPLIFT

The BE trial has clearly improved the customer interaction performance of the financial services providers. Independently measured results improved across all three test sites.

Performance against objectives improvement of up to 20% by 62.5% of the pilot team

1. Independently measured customer experience

- In Trial 1 – Business Banking, the customer satisfaction score rose by 7.14% over the four week test period, compared with 2.18% for the control group.
- In Trial 2 – Consumer Banking, the customer satisfaction score rose to 95% the highest ever with a movement of 4.09 percentage points over the four week test period, compared with the control group’s movement of 2.42 percentage points.
- In Trial 3 – Consumer Banking Complaints, the Net Promoter Score achieved a positive movement of 26 percentage points (very small sample).

2. Client measured contact quality

Internally measured call and contact quality improved across all three test groups.

- In Trial 1 – Business Banking, call and contact quality improved by 2.28%, compared with a negative impact on the control team of minus1.07%.
- In Trial 3 – Consumer Banking Complaints, resolution improved – 62.5% of case handlers believed that customer contacts are now more fully resolved compared to beforehand.
- Across all trials 36.1% of frontline people felt that the BE techniques could be used on all calls – i.e. 25,270 of the 70,000 customer contacts in the trial.
3. Client measured sales performance

- In Trial 2 – Consumer Banking, sales were up by 20.27% in the four week test period, compared with a control group increase of 9.21%

- In Trial 2 – Consumer Banking, sales conversion improved by 11.85%, compared with a control group increase of 3.55%

- In Trial 3 – Consumer Banking Complaints, performance against objectives – 62.5% of the pilot team feel that their performance is up to 20% better

4. Frontline people feedback

Feedback from the frontline people using the techniques was that customers were much more likely to be satisfied, experience lower customer effort or compliment the customer facing staff on their skills.

- In Trial 1 – Business Banking, motivation levels of the team increased by 50%

- In Trial 2 – Consumer Banking, motivation levels of Personal Bankers increased by 16.67% and the Team Leader by 33.33%

- In Trial 3 – Consumer Banking Complaints, confidence levels of case handlers in delivering against business goals increased by 17.8%, compared with a control group increase of 2.9%

- In all Trials – 95.8% of frontline people would be “disappointed” or “really frustrated” if the skills were withdrawn from them

The overall output of the focus groups, in-depth interviews and call listening / contact observation that Procter carried out was summarised: “BE techniques have had a positive impact on the customer, a lot of customers are now giving you more feedback on the call and thanking you for your help, this didn’t happen as much before”.
**BE Technique 1 - Bandwagoning**

**What is it?** – the bias whereby we do (or believe) things because other people do.

**How did we test it?** – In the trial, bandwagoning was used to reassure customers about the popularity of:

- Financial review meetings by other customers
- Products/services being considered for purchase/uptake
- Internet or self-service banking by others
- Free financial advice services for customers with credit difficulties

It was important in the context setting for trial staff that they should only use bandwagoning when appropriate and relevant to the customer. We address the potential knee jerk reaction of manipulation later on in the research findings – and because we discussed it up front with trial staff – all were comfortable knowing when and how to use this. In addition, they believed that with the power of today's social networking it was appropriate to point out what other customers are doing and thinking.

“Bandwagoning is a personal favourite, has had huge positive affect with the team highlighting how our products and services benefit the customer.”

“You can also use bandwagoning in the letter and in your calls and as a close to your call. With closing and in your call you can refer your customers to ‘many have found helpful’ with re-iterating your solution to contact a particular service that many have found helpful.”

“So if you then say ‘Well many of our customers have found this (for avoiding overdrafts) useful and it does work.’ …you get more of a buy-in from the customers. ‘All right. How do I register for that?’ And you know, you just say ‘Well, you can call up our helpline. They’ll be able to register you. Or if there have been some problems I have information on it..’"

The frontline people found bandwagoning to be very easy to use and soon gained a good knowledge of what is and isn’t popular among their product and service set. Frontliners felt it could be applied effectively in 85% of calls and contacts.

There was much positive feedback about the technique:

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Key benefits of bandwagoning

- Improving customer experience by giving customers more confidence about others’ choices
- Helping customers to navigate complex choices
- Enabling frontline people to feel more confident about self-service options and thereby driving its take up
BE Technique 2 - Framing

What is it? – the bias of drawing different conclusions based on how data and information are presented. Includes anchoring and states the way in which alternatives are framed (not simply their relative value) heavily influence the decisions people make.

Framing example

One airline (that shall remain nameless) told us recently that they caught some of their best reps using similar techniques to avoid dust-ups with customers over cancelled flights.

For instance, imagine your 11:00 flight is cancelled and you need to be in Cleveland tomorrow morning. There is an evening flight that’s open. Where most reps would simply say ‘I can put you on a flight leaving at 9:00pm’ other reps, knowing full well the 9:00pm flight was available but seeking to manipulate the customer’s reaction, might say well, ‘I know I can put you on the 7:00am flight tomorrow, but let me see what I can do to put you on the earlier flight which is at 9:00pm tonight.’

A less desirable option creates a mental anchor, making the best alternative seem more acceptable, rather than be irritated that the 11:00 flight was cancelled, you’d probably be relieved that the rep has secured a seat for you on the evening flight.

Source: Harvard Business Review, November 2010

How did we test it? – In the trial, framing was used with customers to

- Outline the structure of the call, contact and letter
- Cross and up-selling relevant offers
- Explain the ID & V process (customer identification & verification)
- Offer self-service options
- Present choices when making purchases

“...but framing was just something that shot over my head. It did for weeks, I’ll be honest, I even went on to Wikipedia to look it up.”

Frontline people found framing, anchoring and choice architecture one of the most difficult techniques to grasp and then to apply. It can be used in many situations, though requires thought and can be used clumsily. Once the capability was developed, it was used extensively and across all trials Framing was considered effective in 86% of calls, particularly in complex calls and ID & V compliance.

The areas highlighted are good examples of how staff were framing – when traditionally – they would have thought it rather than said it.

“I’m just getting into a tool on my screen – a page which has questions I’m going to have to fill in.”
“There is something I can do for you with your savings. What I’m going to do is go through to XXXX to see what we can do. Thanks for your patience while I do that.”

“What happens is I’ll log it – and people are pretty impressed with how quick it is. I’m now going to give you a reference number – unique to your complaint”

“Right they’re going to ring you back in 10 minutes and they’re going to take you through the loan form and then…”

“To be able to talk to customers and give them the news up front and then what we are going to be able to do for them. But we can do this, this and this and then do bandwagoning. They start listening to what you say afterwards.”

“Framing supports customer satisfaction as they know the structure and where you are going. Framing – taking you through security, giving them direction and explanation for what you are doing. Customer knows what you are doing and why.”

Some of the frontline people used framing to drive up sales, for example noting if a customer had a large balance in their current account and offering an ISA. The approach involved introducing the idea of a further conversation at the start of the call which was deemed vastly superior to the previous technique of ‘while you’re on the line’ or dealing with this customer service issue then trying a sale.

### Key benefits of framing

- Helping frontline people to structure and simplify complex calls and letters, thereby helping them to feel in more control of the interaction
- Creating better customer experiences, where process was better understood by customers
- Helping customers to listen to and understand cross-selling offers
BE Technique 3 - Loss Aversion

What is it? – the bias whereby people fear losses more than valuing gains of an equal size. This technique can be traced back to the famed economist Adam Smith in the eighteenth century, whose definition of loss aversion is one of the key findings of modern Behavioural Economics.

“Pain…is, in almost all cases, a more pungent sensation than the opposite and correspondent pleasure. The one almost always depresses us much more below the ordinary, or what may be called the natural state of our happiness, than the other ever raises us above it.”

Adam Smith

How did we test it? – The most common usage was to change the term ‘saving’ to ‘loss’, or to focus on what the customer will miss out on if they do not choose something.

- Savings product with better interest rates
- Data security service for business customers
- Convenience through internet banking
- ID & V process explanation

The frontline people across the three trials found loss aversion very easy to use, it applied well to both sales and service scenarios. Customers are in the mindset of protecting and saving – they are risk averse – so the concept of losing something is more powerful than what they can gain.

“If a customer had £5k in their account I would use loss aversion to sell in an ISA, I use the example if someone knocked on your door asking for £13 a month would you hand it over? I then sell in and explain that is what they are losing by not taking out an ISA.”

“…reminding customers who have phoned to make a transaction that they are losing money by doing so (70p to make transfer on phone as opposed to free online).”

“It’s only 5% difference but if you continue with this over the year then you’ll lose this money” plays to another BE technique [hyperbolic discounting] which is a consumer’s poor ability to understand financial impacts over time.

Sometimes frontline people combined techniques such as framing and loss aversion together:
“Loss aversion was the first technique I used, a customer was complaining about £5 item return fee though I pointed out they could have otherwise been charged overdraft usage fees, interest etc. This was a greater loss and makes the customer see the charge in a different way.”

“One frontline person discussed a car loan with a customer who was saving for “… one of those eco cars”. The agent used framing and loss aversion to make the point that with £6,000 in savings already, the customer would benefit by changing their current car quickly – it had high fuel consumption, road tax and insurance – and taking out a modest loan for the balance. This was presented as a choice or an option for the customer to consider.

“Most of our customers are taking advantage of the account with 3.20 interest. At the moment you are losing out on the interest by keeping the £8,000 in that account.”

Key benefits of loss aversion

- Helping customers to more easily tune into the impact of decisions in their world
- Helping to deliver customer value through take up of the right products and services
- Enabling providers to improve customer experience and involvement
OTHER BE TECHNIQUES – POST-PURCHASE RATIONALISATION AND
SCARCITY VALUE

What are they?

**Post-purchase rationalisation** – the bias whereby people rationalise purchases as being good on the basis that they have bought them.

**Scarcity value** – the bias whereby people value something more if it is scarce rather than plentiful.

How did we test these? – In the trial, post-purchase rationalisation was used to reassure customers about a recent purchase or a decision. Some frontline people attempted to use scarcity value, but there were few opportunities as most products are plentiful.

“... (Post-purchase call) was really good. Customer was set up for two services though since my call only one had been set up. From my call (post-purchase rationalisation call) the customer felt it was a personal service and greatly appreciated my help, going the extra mile. It was more than just selling and giving them the product.”

“Scarcity value has not really been used, bandwagoning is used more often.”

Frontline people found it difficult to apply both techniques and had low levels of success in influencing customer behaviour, or in proving any correlation to improved customer experience. Although they may have impact in other situations – tickets selling out, repeat purchases – to some extent these were the dummy techniques which showed that not all BE components would work with the three trial teams.

“Scarcity value didn’t fit our profile at all.”

Procter is exploring other BE techniques which can be applied to the myriad of customer interactions which go on across the UK, through sector and scale of operation.
THINGS TO THINK ABOUT
TO BE OR NOT TO BE?

NEW RESEARCH FROM PROCTER
THINGS TO THINK ABOUT

FRESHENING A TIRED CUSTOMER EXPERIENCE

One of the unexpected benefits of the BE trial, was to freshen up the language of customer communications. In our research, consumers in focus groups will mock organisations for insisting that staff use a range of tired phrases and terms: ‘is there anything else we can help you with’ or at dinner ‘is everything alright for you?’

BE gave the frontline people in the trial a great opportunity to use new language and phrases which were not tied to a script or legacy conversational style.

“… we were kind of set in our ways. … the fact that it was just the same approach as everyone else, customers were starting to get used to it and they were saying I know what’s coming next.

Whereas now, using more positive language, and using a different approach, is something new to the customer.”

“Before you go…’ is a real turn off”.

“… I think the customer starts to think… the last advisor did that and the one before that and they’re going to try and sell me something next. So I think there’s a danger (of not changing what you do).”

“It has been good as it has given (us a) different way to talk to customers.”

This insight could help organisations re-phrase how they serve and sell to customers, how they encourage the use of self-service and how emotional and complex interactions are negotiated.

Equally, the trial revealed that some written business communication needs heavy updating to be more appropriate to customers’ time pressured lives and less formal style. This includes changing forms, letters and email communication to be more free flowing and conversational.
“We’ve condensed down the legal stuff to barely anything. We are starting with the positive stuff.”

“We very rarely go into a three page letter.”

There are also implications for internal compliance and the FSA in moving beyond ‘clear English’ campaigns to understand how consumers really absorb written information. Too many letters, contracts and email are not read, or understood, and although they may keep lawyers satisfied, they impair customer experience.
**Manipulating Customers?**

Both the Harvard Business Review article (*Matt Dixon, Karen Freeman and Nicholas Toman Can Behavioural Economics be used to Sway Customers? 2010*) and the Procter launch event on Behavioural Economics in September 2011, raised the question of whether these techniques are manipulative. Thaler and Sunstein in *Nudge* deal with the issue by arguing that it is a form of libertarian paternalism, though not compulsion. The UK government concurs with that view and the public still have the right to choose.

In our research we did not test the issue of manipulation in any detail. To do that would have required a view of the alternative choices of consumers (not buying a product or signing up to internet self-service) and any related impact on a consumer’s life over time.

Society accepts that through advertising and marketing, organisations are constantly trying to influence the decisions of consumers. The House of Lords Science and Technology Select Committee in 2011 reflected on interventions and ethical acceptability. However it has stated that “Retailers do not, for example, tell consumers that they have designed their stores in a way that is intended to encourage purchasing of specific types of product, such as confectionery.”

The team leaders, frontline people and researchers on this trial did not feel that customers were being manipulated as:

- customers still had a choice
- the information was better presented in an adult to adult way, which meant that they were more likely to consider something which could benefit them (internet self-service, a better savings rate, a resolution to their complaint)
- frontline people were not lying or being dishonest in the way they presented information to customers (for example - a lot of customers do have financial reviews after Christmas)

Some of the individual comments of frontline people were interesting within the context of trying to improve trust between banks and customers:

> “Business customers know what they want, though sometimes they do not have time to talk about it. With BE it allows the customer to think about things there and then, it is a nudge in the right direction.”
“I think a lot of it is educating the customer as well, what is available out there and as much as we educate our customers we are ourselves aren’t we?”

“No, because it is making them think and benefiting them in the long run.”

The techniques however, could be damaging to brands and customers if they are used in the wrong way. Improving levels of trust in customer relationships is a goal for most organisations and the list of don’ts includes

- don’t lie
- don’t allow people who are not trained properly to use BE techniques
- don’t use the wrong BE techniques
- if customers complain – stop
The BE trial resulted in some other observations for organisations which might be helpful in dealing with challenges of managing customer contact today.

IS FRONTLINE TRAINING PATRONISING?

A criticism of some of the training and capability development programmes that frontline people receive is that they are too basic, or give too little credit to the knowledge and experience of those on the frontline.

“Sometimes training is at primary school level – this [the behavioural economics trial] was a really good level with constant challenges to us.”

By comparison the BE techniques were pitched at a higher level. Being complicated to understand for some, they required application both in learning and also in use. Frontline people valued this quality for effort equation. It was highly motivational and engaging.

“I’ve been here, as I said, six years now, so you get into a rut, where you say the same thing day in, day out and it bores you as well. But it’s so refreshing being able to sit and like have a new approach to things and knowing that it’s working as well, that’s the best thing about it because I mean we’ve had loads of training in the past, and it just doesn’t work. … they tailor it around a perfect customer which you’re never going to get and although it might work now and again, it hasn’t had a knock on effect like this where it’s like been positive throughout.”

“This is not a rush 1.5 hour module… it needs thought, care and involvement from advisors at a higher level than normal.”
EMPLOYEE EMPOWERMENT AND ENGAGEMENT SUPER-CHARGE

One of the unexpected consequences of the trial was the growth in employee engagement and involvement. Frontline people commented that the BE techniques “Keeps it interesting” and “Makes me feel more positive in my job”. A Director commented that this may be linked to avoiding scripts:

“I think you’ve got to be careful about giving anybody a script, because if you give somebody a script then they’ll automatically apply it in any situation, and I think if you give people the basics of ‘This is the kind of phrases we want you to use, this is what we want you to try out’, I think you’ll probably get more results from that, rather than giving them ‘This is how it’s got to be done’.”

The team involved in the trial clearly took real ownership and enjoyed using the BE techniques.

“BE has made my work more interesting, I have had a good experience from my customers, nicer customer communication, more positive.”

“ Somebody has actually listened to us. We volunteered to do this so we have an open mind and everyone’s bought in.”

DRIP FEED – BETTER PROGRAMME DELIVERY

The best implementation is by drip feed using real world contextualisation and frontline people empowerment to research and try things in different ways. Involving frontline people in the design and delivery and measurement of a programme like the BE trial has a positive impact on the outcome of that training. For example, frontline people had never joined review conference calls and liked being included – openly sharing their successes and challenges. Additionally, the trial revealed organisations need for a grown up deployment. A briefing document about BE with a bunch of ideas wouldn’t embed the approach in a contact centre.

“For me, the absolute piece that’s worked is the engagement and obviously being in leadership I know how important this piece is, and I think from the off that team have felt so valued … engaged.”
TO BE OR NOT TO BE?  NEW RESEARCH FROM PROCTER
RECOMMENDATIONS

WHAT ARE THE LESSONS FOR BETTER CUSTOMER INTERACTION IN THE 21ST CENTURY?
RECOMMENDATIONS – WHAT ARE THE LESSONS FOR BETTER CUSTOMER INTERACTION IN THE 21ST CENTURY?

Procter has been working at developing a new suite of products which take advantage of BE and address the challenges of customer interaction today. The need for better customer experiences at lower costs, where compliance and people engagement are paramount, means the industry is ready for the opportunities presented by BE.

Thinking about the millions of customer interactions companies have every day and the potential risk of this remaining the same over the next 10 years – is this something those at the leading edge are prepared to accept? Some companies may well do that – meaning that strategies, words, actions and attitudes remain hackneyed and old fashioned in the eyes of your customers while being boring for your people to implement.

When putting this into practice there are some key things to consider, plan for and implement.

BEST WAYS OF MAKING IT WORK FOR YOU – A FIVE STEP APPROACH

1. Language audit

Organisations need to examine their corporate and customer language and ask ‘how stuck in a rut is it?’. BE offers great opportunities to freshen language and in the process improve customer experience, re-build trust and drive self-service while engaging frontline people. Consumers are seeking value in these stringent economic times, but does current customer interaction language play to this anxiety and really assist consumer decision making?

2. Be bold & detox

How well matched is your language across all the channels? When was the last time you compared and cleansed across letter, spoken and internet? Give your frontline people the empowerment to make this happen. BE is not just for verbal communication, rather it works across other channels – internet, email, web-chat, face to face and correspondence. This will help your operation truly differentiate from cheaper, offshored alternatives.
3. Extended BE toolkit for engagement

Use the 40 plus techniques as a programme of empowerment and cultural engagement – it could take two years to truly implement and test them all. The lesson of our research is that organisations need to review their customer interactions, needs and behaviours, before careful planning and deployment of BE. This includes choosing the right techniques for individual interactions and deploying them intensely. Embedding the learning and capability development is crucial for long term success and employee engagement. It’s another reason why the opportunity is limitless and long term in terms of sustainability.

4. Bite sized chunks

The research focused on working with people who had a range of experience, knowledge and savvy and while there was a lot of feedback around these techniques being ideal for new starters who had yet to form “bad habits” – it was clear to Procter that the more established and experienced the frontline person – the easier they found it to adapt and be flexible with the concepts. The by-product of empowerment and ownership was such a strong and powerful one for the teams – it would be wrong to ignore it. Even then – their feedback was that experimenting with the techniques in bite sized chunks is absolutely crucial.

5. Grown up deployment

Creativity and empowerment are key to deployment of advanced development programmes associated with BE. This should be instilled at frontline, not cascaded through scripting or briefing or 1½ hour ‘hit and run’ training sessions. Empowered employees create engaged customers, as proven by many studies, and sophisticated deployment builds buy-in and involvement.
In summary looking at the benefits across customer satisfaction, people engagement and value there are a number of ways that BE can support. Specifically it is worth investing time to experiment within your own organisation how BE can be deployed to match the market place. If deployed correctly, BE can help to improve the customer experience, re-build trust and improve relationships with increasingly autonomous customers. The bandwidth the techniques provide can enable organisations to drive value from the interaction in new and refreshing ways. And finally giving people freedom to deploy can create an adult to adult empowered culture.
TO BE OR NOT TO BE?  NEW RESEARCH FROM PROCTER
## Appendices

### Appendix 1 – Trial sites by activity

<table>
<thead>
<tr>
<th>BE Trial 1 – UK Business Banking Contact Centre</th>
<th>BE Trial 2 – UK Consumer Banking Sales &amp; Service Contact Centre</th>
<th>BE Trial 3 – UK Consumer Banking Complaints Department</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audience</strong></td>
<td><strong>Audience</strong></td>
<td><strong>Audience</strong></td>
</tr>
<tr>
<td>Test group</td>
<td>Test group</td>
<td>Test group</td>
</tr>
<tr>
<td>Team leader</td>
<td>Team leader, 12 personal bankers</td>
<td>Manager</td>
</tr>
<tr>
<td>9 business bankers, average length of service 8 years, mixed performance grades</td>
<td>12 personal bankers, average length of service 6 years, mixed performance grades</td>
<td>9 case handlers, average length of service 6 years, mixed performance grades</td>
</tr>
<tr>
<td>Control group</td>
<td>Control group</td>
<td>Control group</td>
</tr>
<tr>
<td>Team leader</td>
<td>Team leader</td>
<td>Team leader</td>
</tr>
<tr>
<td>12 business bankers</td>
<td>11 personal bankers</td>
<td>10 case handlers</td>
</tr>
<tr>
<td><strong>Assessment criteria</strong></td>
<td><strong>Assessment criteria</strong></td>
<td><strong>Assessment criteria</strong></td>
</tr>
<tr>
<td>MI</td>
<td>MI</td>
<td>MI</td>
</tr>
<tr>
<td>• Customer satisfaction</td>
<td>• Customer satisfaction</td>
<td>• Resolution rates</td>
</tr>
<tr>
<td>• Advocacy</td>
<td>• Sales</td>
<td>• Net promoter score</td>
</tr>
<tr>
<td>• Call quality (internal &amp; by Procter)</td>
<td>• Call quality (internal &amp; by Procter)</td>
<td>• Quality (internal &amp; by Procter)</td>
</tr>
<tr>
<td>• People engagement</td>
<td>• People engagement</td>
<td>• People engagement</td>
</tr>
<tr>
<td><strong>Evaluation</strong></td>
<td><strong>Evaluation</strong></td>
<td><strong>Evaluation</strong></td>
</tr>
<tr>
<td>• Pre and post trial survey call check-ins</td>
<td>• Pre and post trial survey call check-ins</td>
<td>• Pre and post trial survey call check-ins</td>
</tr>
<tr>
<td>1 focus group with test group</td>
<td>1 focus group with test group</td>
<td>1 focus group with test group</td>
</tr>
<tr>
<td>12 depth interviews with frontline people</td>
<td>11 depth interviews with frontline people</td>
<td>7 depth interviews with frontline people</td>
</tr>
<tr>
<td><strong>Scoping the application of BE</strong></td>
<td><strong>Scoping the application of BE</strong></td>
<td><strong>Scoping the application of BE</strong></td>
</tr>
<tr>
<td>• Analysing business drivers, customer segments, call and contact types and management information</td>
<td>• Selecting the right BE techniques collaboratively with test teams</td>
<td>• Designing intervention</td>
</tr>
<tr>
<td><strong>Test team capability development in BE</strong></td>
<td><strong>Test team capability development in BE</strong></td>
<td><strong>Test team capability development in BE</strong></td>
</tr>
<tr>
<td>• 1 day intervention to upskill test frontline people in techniques</td>
<td>• 1 day intervention to upskill test frontline people in techniques</td>
<td>• 1 day intervention to upskill test frontline people in techniques x 2 groups</td>
</tr>
<tr>
<td>• 3.5 days coaching of team in situ</td>
<td>• 3.5 days coaching of team in situ</td>
<td>• 5 days coaching of team in situ</td>
</tr>
<tr>
<td>• 3 follow up conference calls to discuss success and challenges</td>
<td>• 2 follow up conference calls to discuss progress</td>
<td>• 1 follow up conference calls to discuss progress</td>
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</table>
To BE or not to BE? New research from Procter

<table>
<thead>
<tr>
<th>Trial</th>
<th>4 week evaluation (5 January to 1 February 2012)</th>
<th>4 week evaluation (5 January to 1 February 2012)</th>
<th>4 week evaluation (10 January to 6 February 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14,565 calls handled</td>
<td>20,774 calls handled</td>
<td>696 cases handled</td>
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</table>

**Evaluation & report**
- Comparing test and control results
- Assessing effectiveness of BE techniques
- Analysing MI data
- Report preparation
Appendix 2 – Trial sites data

1. Independently measured customer experience

<table>
<thead>
<tr>
<th>Trial 1</th>
<th>Pilot – team of 9</th>
<th>Control – team of 12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre</td>
<td>Post</td>
</tr>
<tr>
<td>Customer satisfaction scores</td>
<td>70.00%</td>
<td>75.00%</td>
</tr>
<tr>
<td>Percentage point movement</td>
<td>5.0</td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Trial 2</th>
<th>Pilot – team of 12</th>
<th>Control – team of 11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre</td>
<td>Post</td>
</tr>
<tr>
<td>Customer satisfaction scores</td>
<td>90.91%</td>
<td>95.00%</td>
</tr>
<tr>
<td>Percentage point movement</td>
<td>4.09</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trial 3</th>
<th>Pilot – sample of 5 pre / 7 post</th>
<th>Control – sample of 3 pre &amp; post</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre</td>
<td>Post</td>
</tr>
<tr>
<td>Net promoter scores</td>
<td>-40%</td>
<td>-14%</td>
</tr>
<tr>
<td>Percentage point movement</td>
<td>+26</td>
<td></td>
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</table>

2. Client measured contact quality

<table>
<thead>
<tr>
<th>Trial 1</th>
<th>Pilot – team of 9</th>
<th>Control – team of 12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre</td>
<td>Post</td>
</tr>
<tr>
<td>CES and contact</td>
<td>0.0117</td>
<td>0.0120</td>
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<table>
<thead>
<tr>
<th>Trial 3</th>
<th>Pilot – team of 9</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Resolution improvement</td>
<td>62.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>All Trials</th>
<th>Usability of BE techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trial 1</td>
</tr>
<tr>
<td>1 in 10 calls</td>
<td>12.5%</td>
</tr>
<tr>
<td>1 in 5 calls</td>
<td>25.0%</td>
</tr>
<tr>
<td>1 in 3 calls</td>
<td>37.5%</td>
</tr>
<tr>
<td>all my calls</td>
<td>25.0%</td>
</tr>
</tbody>
</table>
3. Client measured sales performance

<table>
<thead>
<tr>
<th>Trial 2</th>
<th>Pilot – team of 12</th>
<th>Control – team of 11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre</td>
<td>Post</td>
</tr>
<tr>
<td>Upgrades sold</td>
<td>74</td>
<td>89</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trial 2</th>
<th>Pilot – team of 12</th>
<th>Control – team of 11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre</td>
<td>Post</td>
</tr>
<tr>
<td>Sales conversion</td>
<td>0.0070</td>
<td>0.0078</td>
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</table>

<table>
<thead>
<tr>
<th>Trial 3</th>
<th>Pilot – team of 9</th>
<th>Control – team of 11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre</td>
<td>Post</td>
</tr>
<tr>
<td>Performance against objectives</td>
<td>Same as before</td>
<td>up to 20% better</td>
</tr>
<tr>
<td></td>
<td>37.5%</td>
<td>62.5%</td>
</tr>
</tbody>
</table>

4. Frontline people feedback

<table>
<thead>
<tr>
<th>Trial 1</th>
<th>Pilot – team of 9</th>
<th>Control – team of 11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre</td>
<td>Post</td>
</tr>
<tr>
<td>Team motivation</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Team leader motivation</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trial 3</th>
<th>Pilot – team of 9</th>
<th>Control – team of 11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre</td>
<td>Post</td>
</tr>
<tr>
<td>Confidence to deliver against business goals</td>
<td>2.78</td>
<td>3.38</td>
</tr>
</tbody>
</table>

All Trials If BE techniques and skills removed

<table>
<thead>
<tr>
<th></th>
<th>Trial 1</th>
<th>Trial 2</th>
<th>Trial 3</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Really frustrated</td>
<td>12.5%</td>
<td>0%</td>
<td>50%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Disappointed</td>
<td>75.0%</td>
<td>100%</td>
<td>50%</td>
<td>75.0%</td>
</tr>
<tr>
<td>Not concerned</td>
<td>12.5%</td>
<td>0%</td>
<td>0%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Pleased</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

All Trials Effectiveness of individual techniques

<table>
<thead>
<tr>
<th></th>
<th>Trial 1</th>
<th>Trial 2</th>
<th>Trial 3</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bandwagoning</td>
<td>84.50%</td>
<td>91.75%</td>
<td>81.25%</td>
<td>85.8%</td>
</tr>
<tr>
<td>Positive language</td>
<td>97.00%</td>
<td>83.25%</td>
<td>87.5%</td>
<td>89.3%</td>
</tr>
<tr>
<td>Loss aversion</td>
<td>75.00%</td>
<td>70.75%</td>
<td>71.50%</td>
<td>72.4%</td>
</tr>
<tr>
<td>Framing</td>
<td>81.25%</td>
<td>90.00%</td>
<td>89.25%</td>
<td>86.8%</td>
</tr>
<tr>
<td>Post-purchase rationalisation</td>
<td>57.25%</td>
<td>33.25%</td>
<td>47.00%</td>
<td>45.8%</td>
</tr>
</tbody>
</table>
Our big thanks to…

… you are all stars
Disclaimer

The research, data and views in this report have been prepared in good faith, but Procter - Imparta Ltd and Davies Hickman Partners cannot be held responsible for any actions taken in connection with its findings.

Source material

Daniel Kahneman - Thinking, Fast and Slow, 2011
Dan Ariely - Predictably Irrational: The Hidden Forces that Shape Our Decisions, 2008
Harvard Business Review

All stories and examples collected from papers, articles and aforementioned books.

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