PROMISING OUTCOMES

Better Research for Better Results

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This paper should give you a reasonably detailed overview of our research system, the unique things we do and how and why we do them. Our purpose is to help you be a more informed buyer or user of data but *not* to equip you to use these methods and ideas on your own. We strongly believe organizations should always use independent, objective third parties to gather data about customer or employee affection. (*See our article* "DIY Customer Research")

Promising Outcomes (PO) differs from all other firms providing customer and employee measurement and CX and EX services. It is different in what it does, how it does it, and in the insights and information it provides to clients. It is different, too, in the assistance PO provides to clients to help turn data into information, information into prioritized action plans, and plans into measurable improvements.

Among the attributes that set us apart are:

- A deep understanding of expectations theory and practice based on:
  - Intensive discussions and consultations with leading scholars and experts
  - Over forty years of consulting and research for hundreds of clients
  - A deep well of proprietary original primary research studies
  - A vast repository of thousands of customer and employee expectations
- A comparative database of client customer and employee experience survey results including some by industry
- A unique, innovative system of research methods and "smart" displays

A Little History

Early in 1987, I was exposed to the seminal service quality research that had been led by three marketing professors. This work demonstrated that consumers' mental model of service quality contained five dimensions which could be disaggregated into two dozen or so broad expectations of service provision. Intrigued by this discovery, I discussed with two of the professors, Valarie Zeithaml and A. "Parsu" Parasuraman, the possibility of extending the research to encompass the total customer experience. Due to the constraints of academia, this proved unfeasible. I then decided to move ahead myself with a series of studies under the auspices of the Forum Corporation, my employer at the time. These studies, plus client customer research, allowed me to develop a new, complete and integrated system to understand customer and employee expectations at a deep and detailed level.

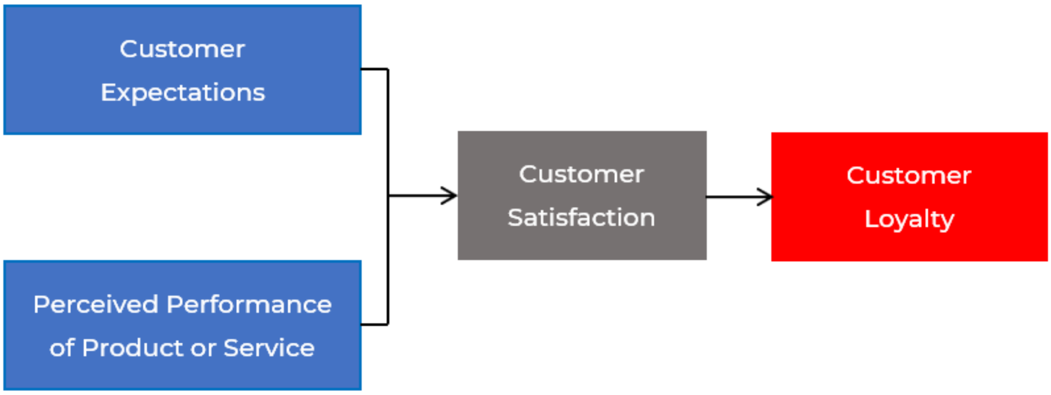
Understanding Expectations

Imagine your world without expectations. You can't. Expectations are a fundamental aspect of human transactions. Suppose you enter a store to purchase something. You will have expectations about the item you intend to buy, and expectations about the sales experience you are about to have.

These expectations have two flavours. One is called *predictive*. This is what you think the experience will be, based on your previous experience or that of others. The other flavour is called *ideal*. This concerns your desired experience. We focus on ideal expectations. Once the ideal expectations of a group of customers (or employees) have been gathered and sorted, a picture emerges: the groups' collective desired experience. Please note that the following discussion is valid for employees and the employee experience as well.

While our system is expectations based, much of the commercial world remains wedded to the notion of customer satisfaction and customer satisfaction measurement (CSAT). As early as the 1940's, market researchers and academics were converging on a theory of satisfaction.

The theory posited that customers have expectations about the offering and evaluate performance against expectations. This results in feelings of satisfaction or dissatisfaction in a process called "disconfirmation of beliefs." Understanding satisfaction properly, therefore, requires understanding expectations.



Unfortunately, this model didn't work very well. In 1995, a *Harvard Business Review* article by Thomas Jones and Earl Sasser Jr. came up with the "satisfied customers defect theory." T heir research debunked the clout of customer satisfaction, demonstrating that satisfied customers and dissatisfied customers defect at about the same rate.

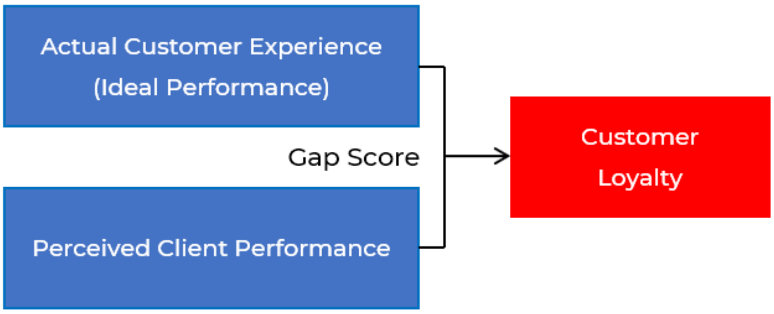
The problem is that customer satisfaction as a measure is an abstraction that cannot fully illuminate the relationship between provider and customer.

I first realised customer satisfaction surveys contained an inherent defect in 1987, when conducting a survey of 4,000 retail banking customers in California. The survey included an overall satisfaction question in addition to a question asking for a rating of overall service quality. Forty percent of those who rated service quality as fair or poor also said that they were satisfied. These at-risk customers were invisible to the standard customer satisfaction question.

As a result of this finding, I concluded that the customer satisfaction concept and its measurement was unnecessary and misleading at best. Instead, we ask customers to tell us their actual expectations. We then ask customers on surveys to define ideal and minimally acceptable performance for each expectation.

Our model highlights the gap between ideal expectations of performance and the actual perceived performance.

Promising Outcomes Model



The gap score for each expectation on a survey speaks to priorities for improvement and indicates how much improvement is needed. Rolled up into an average gap score, the resulting Customer and Employee Gap Indexes (CEGI and EEGI) are similar in intent to CSAT and Net Promoter Score (NPS) but are far more meaningful. (*For information on NPS shortcomings see* "Gartner Calls Time on Use of NPS.") We maintain a database of CEGI and EEGI scores from more than fifty organizations segmented by industry.

Primary Research

Promising Outcomes conducts two kinds of research: primary research, typically survey-based, to advance knowledge on a particular subject, and proprietary client research, typically using both qualitative and quantitative methods, to help clients improve their results.

I have been conducting occasional original primary research studies since 1987, some sponsored and others at my initiative. Topics have included:

- Factors driving consumer loyalty in the U.S.
- Identification of "exemplary" companies in North America and the U.K. and their differentiating management practices
- The relationship among service quality, customer retention and supervisory practices in both B2C and B2B companies
- The changing customer expectations of U.S. supermarkets during the pandemic
- The role, practices, and policies of market research functions in North American companies
- The relationship of customer focus to a variety of financial indicators in forty North American companies
- Employee expectations of an ideal employer from a randomized cross-section of a thousand employed people in the U.S.

Client Research Methods

The Promising Outcomes research system has been used to great advantage by several hundred organisations across sectors and industries, from charities and performing arts to pharmaceuticals and heavy industry. The expectations gathering part of the system has often been used as a standalone technique for purposes as varied as selecting a new rabbi for a synagogue and strategic planning for a public library.

All our client research is bespoke, tailored to the client and its industry. The process, however, is simple, standardised and the same for most clients. It begins qualitatively with gathering and collating the raw expectations of employees or specified client customers. The last step is to incorporate the most important expectations in a quantitative survey to measure our client's performance on each expectation, and often the performance of competitors as well. On a few occasions we have conducted an intermediate survey to determine the relative importance of each expectation in the eyes of the participants, useful in determining which expectations to include in the performance survey. However, we discovered a clever way to measure relative importance using the qualitative data alone.

At the time of my discussions with the service quality theorists I knew they had created a public domain standardised survey they called "SERVQUAL." Unfortunately, it was generic – one size fits all. It didn't consider the uniqueness of each organisation. Moreover, it was only about service quality and not the total customer experience. So, while I discounted the survey, I realized the "SERVQUAL" format would be ideal for our purposes. In our version of it, we ask several questions about each expectation, including scores for ideal performance, minimally acceptable performance, our client's performance, and often, competitor performance. The resulting data lends themselves to being presented in clear and powerful ways.

Smart Displays

Unique data require special windows through which to view them properly. Our displays are smart because, with the help of clever visuals, they transform data into information. We don't aim to lessen complexity. Rather, we aim to present data in ways that feel almost intuitive and that make the complex easy to comprehend.

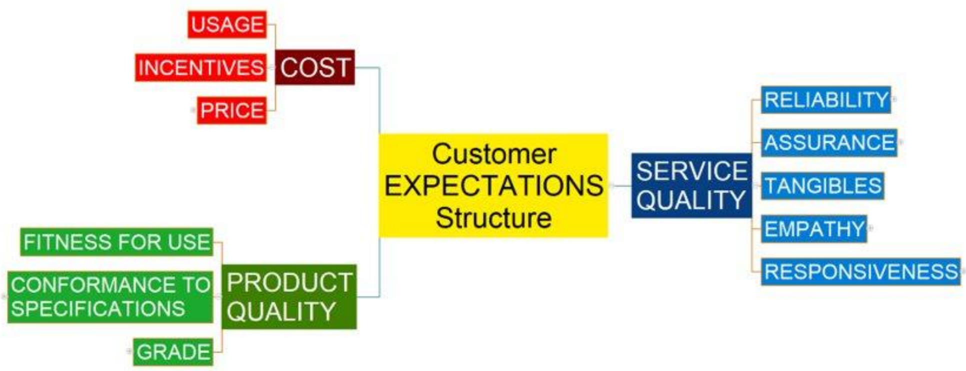
We have a whole family of displays that smartly make data come alive. However, in the interests of time and space I will only discuss two: Expectations Maps, and Zone of Tolerance. These two are fundamental in our system. All the displays work equally well for employee research. However, customer maps and employee maps are very different in structure and content. We will keep the focus on customers in the rest of this discussion.

Expectations Maps

A map, which is really a diagram, gives form and structure to what otherwise would be a simple list. Based on extensive research, the previously mentioned three professors discovered that the customers' concept of service quality could be distilled into five dimensions: Reliability, Assurance, Tangibles, Empathy and Responsiveness.

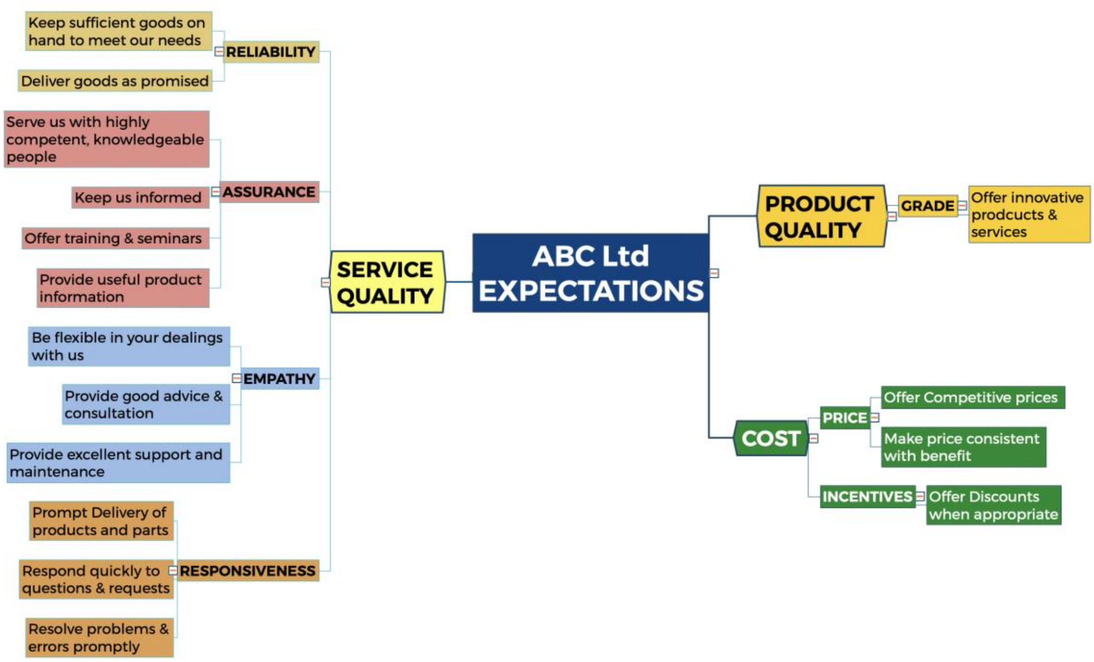
As a group, these are often called RATER, an acronym for which I like to take credit. Our own work suggests that the total customer experience (TCX) was comprised of Service Quality plus Product Quality and Cost. As both additional "domains" have dimensional structures, we believe the TCX for any sector or industry can be defined by no more than eleven dimensions. We have never encountered an organization whose TCX included expectations in all eleven. For a fuller discussion, please see our article, *The Magic of Customer Expectations*.

This, then, is the architecture of the TCX.



About 65-70% of all expectations gathered for any given company fall into the Service Quality domain. This is true irrespective of industry or whether the offering is a product or service, B2B or B2C. This is consistent with research we and others have conducted indicating a similar Service Quality component for the reasons customers switch from one supplier to another.

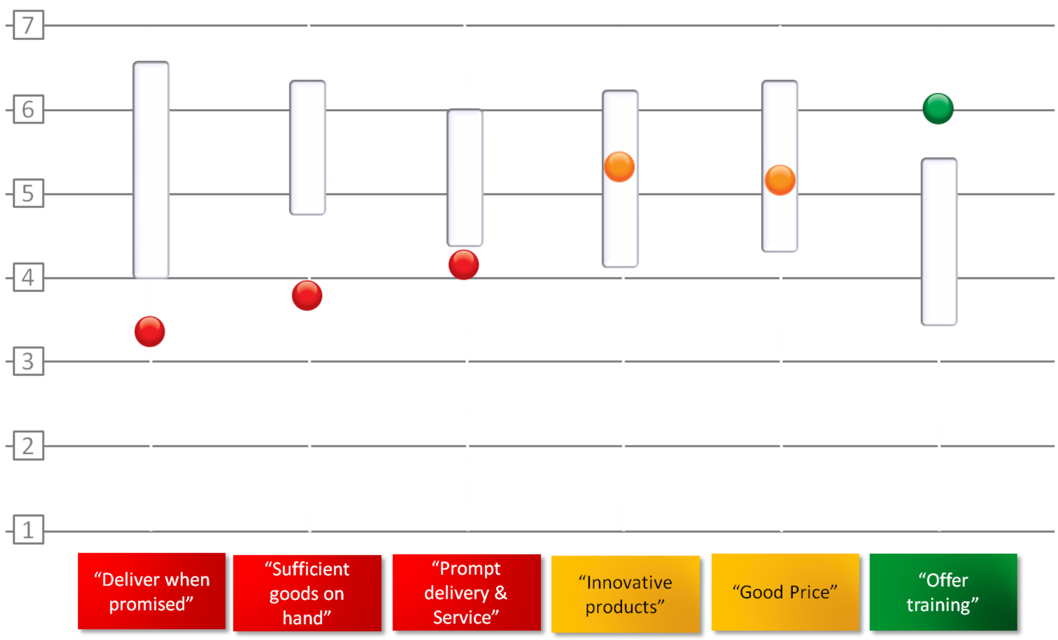
Following is an example of what a client expectations map might look like.



Zone of Tolerance (ZOT)

The Zone of Tolerance display is an innovative tool introduced by our friends, the Service Quality professors, and its purpose is to explore the gap between desired performance and minimally acceptable performance. It has long had a following in the field of services marketing. We expanded the tool to evaluate the TCX and to include an option to measure competitor performance.

On a quantitative performance survey, for each expectation we ask for the score an ideal supplier would merit and the lowest acceptable score. One could visualize the two scores as end points on a vertical rectangle. The space between the end points is called the zone of tolerance and it contains all the levels of performance customers in general would find acceptable. We then ask for our client's score which is plotted as a ball on the ZOT diagram. If the ball rests above the top of the rectangle, it indicates performance exceeding the expectation. Performance scores below the ZOT are red flags. Customers are ready to switch to a competitor and remedial action is urgent. Here is an example of a simple ZOT display.



In this illustration, the client is on red alert for three expectations, possibly over-performing against on one, and comfortably performing within the ZOT on the others. The priority areas for improvement are readily apparent. What could be simpler? Yet, simple as it is, ZOT displays can provide information more traditional displays cannot.

Notice in this next example that where the ball appears against the ZOT is meaningful. Note also how much more sensitive the ZOT display is compared to the Net Promoter Score ranges depicted on the far left.

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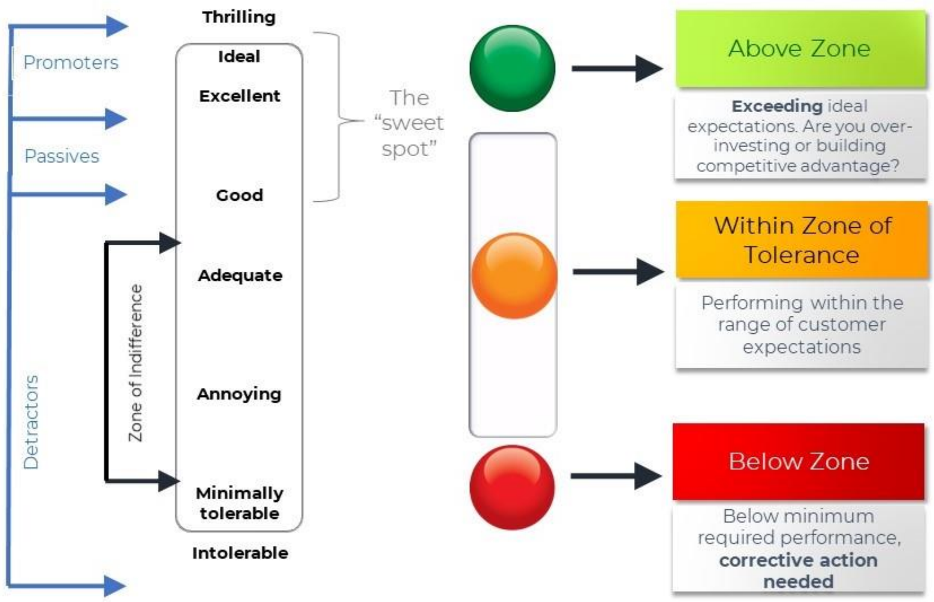
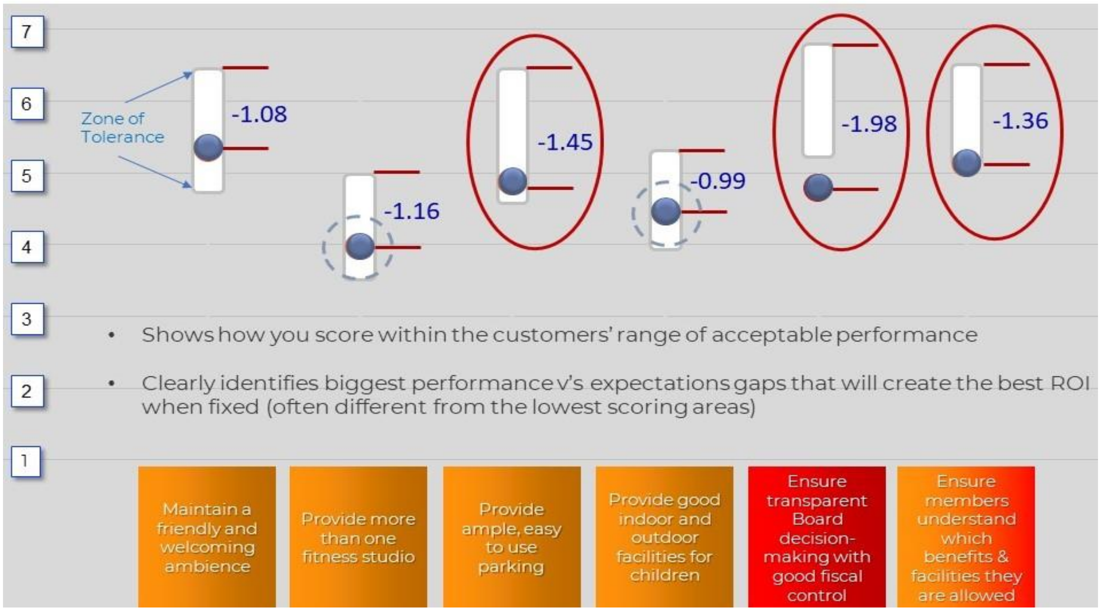


Standard performance and customer satisfaction scores can, and often do mislead. For example, in the exhibit below such scores would have you attending to the wrong things. The two expectations highlighted by the dotted circles have the lowest performance scores and therefore invite attention. But the three that are circled in red have far larger gap scores, and those are the ones most in need of attention.



Promising Outcomes' Expectations-Based Research System is unique. No one else does what we do. Our better methods lead to better results. We provide organizations with clear priorities for actions to improve customer/employee loyalty and retention and to address critical performance issues that affect revenue, profitability, productivity, engagement, and value.