

vht<sup>o</sup>

# Customer Perception



# Understanding Customer Perception to Level Up Customer Experiences

**When companies work to improve their customer experiences, everyone wins. Consider these statistics:**

- Client-centric companies are 60% more profitable than those without a customer focus [1]
- Delivering great customer experiences can lower the cost of service by up to 33% [2]
- Customers who have positive experiences stick around for five years longer and spend 140% more than other customers

A big part of centering customer experiences is figuring out how customers perceive your brand.

Customer perception is not the same as customer experience. Experience is what happens in specific interactions between the customer and your brand, and perception is the overall feeling that the customer has about the brand at any given time.

Improving customer perception is essential when it comes to strengthening your customer experience. The first step is understanding how customer perception works.

# Foundational Concepts of Customer Perception

## 01. Customers are Not Economists

Traditional economic theory holds that all human beings are rational and make choices that are consistent with the information at their disposal. [3] If the world worked according to the theories of traditional economists, we'd all make the choices that were best for us, all the time.

In real life, though, people aren't purely logical. They're impulsive, don't weigh costs and benefits evenly, and often make decisions that aren't in their best interests — but they do all of that in an extremely predictable way.

Enter behavioral economics, which looks at the psychology behind people's financial decisions. [4]

### SOME CONCEPTS OF BEHAVIORAL ECONOMICS

**The Peak-end Rule** says that a person's memories of an experience, whether good or bad, don't reflect the average of the many feelings the person had during the experience. They correspond much more to the most extreme feeling they remember and how they felt at the end.

This is the basic theory behind why, when an irate customer contacts a company and the representative exceeds the customer's expectations for resolution, that customer walks away with a better perception of the company than they had before the issue happened.

**The Affect Heuristic** explains people's tendency to over-rely on their feelings when making a brand decision. These decisions tend to be quick and automatic rather than reflective.

A customer that slams the phone down and vows never to do business with that company again is the perfect example — the problem may not be all that bad, but the customer is furious enough that their feelings drive the decision.

**The Sunk Cost Fallacy** explains that people often continue doing something purely because they've already invested resources in it. Those resources might be financial, but they also might be related to time or energy. For example, if a customer has been on hold for two hours, they'll keep waiting rather than hang up and try again later, even if it ruins their day and makes them angry at the company.

At VHT, we've developed our platform Mindful to take advantage of these behavioral tendencies. Mindful's Callback, text notifications, and other capabilities offer customers free time rather than hold time and an easy way to make these quick decisions.

**Companies need to be aware of that energy and put the customer's emotional experience first.**

## **02. Customers Do Not Have Monolithic Views of Brands**

Customers don't have singular overall views of brands. Their perceptions are complex aggregates of opinions about the brand's products, pricing, customer support, social media presence, and more.

The longer a person remains a customer, the more interactions they have, and the more complex their perception becomes. Each encounter still affects their overall perception, but it takes more to shift the perception significantly

toward the positive or negative. Brands need to establish positive feelings as early in the relationship as possible so that the customer has a stockpile of positive impressions.

## **03. A Critical Encounter Is a Moment of Truth**

In 2006, The McKinsey Quarterly published a foundational article on the "moment of truth" moments that service departments have with customers. [5] These are the moments in which customers invest significant amounts of emotional energy in a particular outcome.

Companies need to be aware of that energy and put the customer's emotional experience first. Whatever will delight, relieve, excite, or soothe the customer is the right thing to do, because those emotional experiences will affect the customer's perception of a company long into the future.

## **04. Perception Is Not Reality... But It Might as Well Be**

Customers' emotional experiences of encounters affect how they feel about your company, and those feelings become their reality. As illogical as a customer's reactions might seem, companies need to take them at face value and respond accordingly. The customer's emotional interpretations will influence their long-term experiences with your brand.

# How Customers Interpret Encounters

Just like behavioral economics helps to explain how customers feel about brands, basic behavioral science explains how they develop those feelings.

## Sequence of Events

- People evaluate experiences based on three factors:
- Whether it trended from bad to good or good to bad
- The high and low points
- The ending

People vastly prefer experiences that improve from beginning to end. They'd much rather start with the worst part of the experience than end with it. [6]

This is an important insight for customer service professionals. It means that teams need to focus on an upward trajectory and avoid dips in the quality of the customer experience. Representatives need to be aware of potential negative experiences and have the tools to avoid them.

VHT's Mindful allows brands to remove these potential low points that stem from the frustration of waiting on hold or even having to repeat their issue multiple times during a call. This leads to fewer low points and sets up brands and their agents to deliver a much more positive resolution.

## Duration Effects

People who are mentally engaged in doing something don't typically notice how long it takes. The opposite is true as well — lack of engagement makes experiences feel longer. Think of a minute spent waiting on hold versus a minute spent getting things done around the house. The second minute feels much faster.

Speaking of waiting on hold, consider this: when something takes longer than a person expected, it feels longer. If someone expects to make a quick call and it turns into a 30-minute wait, that time will drag on.

Waiting on hold is what behavioral economists consider a sunk cost. The longer the wait gets, the higher the perceived cost is to the customer.

This higher perceived cost means that customers have more need for a favorable outcome. In some cases, the outcome might have to be exceptionally good for the customer to find it at all favorable. It's a big win when companies can avoid that sunk cost.

## Rationalizations for Negative Encounters

When something bad happens, what goes on in the customer's mind? Here's what behaviorists say.

**Customers look for a single cause.** Customers don't understand or care about the inner workings of your business. There might be multiple supply chain errors that led to the delivery of an incorrect product, but those issues aren't relevant to the customer. They want to point to one causal event, preferably one they can see and understand.

**They blame individuals, not systems.** This is why the "corporate policy" argument doesn't work when you're explaining why a customer couldn't make a return in-store when they purchased online. People are primed to assign blame to a person, so they'll point the finger at the store employee or manager who wouldn't make an exception.

**They blame deviations from the norm.** People trust rituals and routines. If something unexpected happened and a problem occurred, even if the two aren't linked, the customer will create a link.

**If no one offers them a reason, they'll make one up.** They'll usually invent a narrative that has to do with what they can observe, not the machinations going on behind the scenes. It's best to fill in their knowledge gaps when possible so that the customer doesn't assume the worst and fabricate a narrative to match.



# How to Manage Encounters

Optimizing customer perception is about understanding why people feel and act the way they do, then structuring your customer service accordingly.

## Any Contact Is Better than No Contact

Going dark is just about the worst way to respond to customer issues. Customers want to feel connections to your brand, and your responsiveness is part of that need for connection.

In 2018, the Harvard Business Review published a study that looked at customers' Twitter interactions with airlines and wireless carriers. The researchers found that receiving any kind of response improved the customers' Net Promoter Scores (NPS), a key measure of customer loyalty.

**Don't make conveniences rare  
— make them routine.**

Responses improved by 37 points for airline customers and 59 points for customers of wireless carriers. [7]

## Finish Strong: Endings Matter More than Beginnings

This connects back to the Peak End Rule of behavioral economics. People remember the end of an experience more than the beginning, so no matter what happens in an interaction, you need to end on a positive note.

## Get to the Bad Stuff First

Remember, people expect the quality of an experience to improve over time. If you have bad news for a customer — for example, if a refund was denied or an ordered item is out of stock — let them know early in the interaction. That way, you can spend the rest of the time making things better.

## Cluster the Pain, but Segment the Pleasure

It may seem counterintuitive, but when you get the tough parts of a conversation out of the way, it creates a more positive impression. The opposite is true for the good parts.

If you have good things to offer, consider breaking them up and separating them with neutral bits. Likewise, if you have to give more bad news later in the interaction, you can sandwich it between items of positive news. You communicate all of the important points, and the customer can feel like you've delighted them multiple times.

## Build Customer Contentment through Choice

People are much less likely to assign blame when they have some control over the experience. Empowerment and engagement help them to feel a shared responsibility for the outcome, so they're less angry when something goes wrong. [5] That's why "Do you want to wait on hold or get a Callback?" is so effective. Mindful simultaneously offers more choices to customers so they feel more in control, while also offering brands more capacity to choose how they manage customer contacts.

## Stick to Known Rituals

You've learned that customers attribute blame to breaks in routine. The other

side of that coin is that, when things do go according to plan, people feel more comfortable and have trust in the company.

Don't make conveniences rare — make them routine. That's one of the main concepts behind Mindful's Callback and text notification features. When a company integrates these features, their customers come to expect them.

## Leverage Technology to Accomplish Goals

### OFFER CUSTOMIZATION AND FLEXIBILITY

Whenever you can, give customers more options to let them feel like they're in control. For example, if you can't answer their question right away, let them choose their method of waiting. Do they want to stay on hold or receive a return call from the company through Callback?

Another possibility is to let customers choose their contact channel. Do they prefer voice, text, or self-service through your website or app? Mindful was created to increase customers' choices without placing a burden on the brand. Mindful even allows customers to switch to a different channel, such as texting, to continue the conversation.

### RECOVER EFFECTIVELY

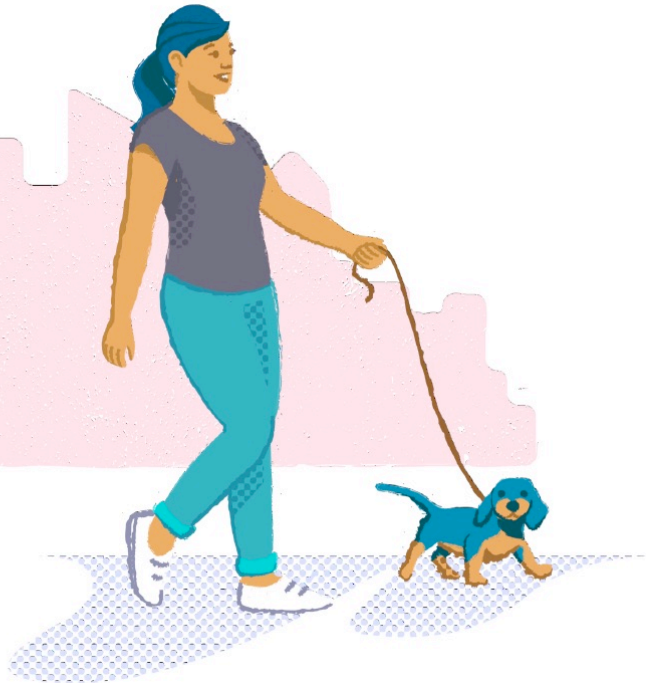
Putting customer perception first means using tech to solve customer problems, not create them. Choose tech that centers on customer experiences and helps you to recover more easily from potential issues.



Did any problems occur during the resolution process? Mindful makes it easy to follow up with customers to gather critical satisfaction (CSAT) and NPS data to improve customer experiences.

### **CREATE SPONTANEOUS MOMENTS OF DELIGHT**

These are especially helpful at the end of an encounter. When you end a support conversation, people don't expect you to check in again. Delight them by following up to confirm a resolution. Even thanking them by SMS can go a long way toward strengthening the relationship.



## **Key Takeaways**

The primary lesson here is that your customer experience metrics depend on your ability to create positive customer perceptions of your brand. You need to focus on how your company's interactions with customers make them feel, especially in emotionally charged moments like a major purchase decision or dispute resolution.

Customers remember the end of a conversation more than the beginning, so focus on a strong closing. Use Mindful's tools to help you. Offer Callback and SMS text reminders so that customers remember not having to wait on hold, or at least having the choice.

**In time, those little things can build up to major customer experience gains.**

# Sources:

[1] Deloitte. (2017, July). Wealth Management Digitalization changes client advisory more than ever before. Deloitte.  
<https://www2.deloitte.com/content/dam/Deloitte/de/Documents/WM%20Digitalisierung.pdf>

[2] Deloitte. (2018). The true value of customer experiences.  
<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/process-and-operations/us-cons-the-true-value-of-customer-experiences.pdf>

[3] Bogan, D. V. (2018, May 20). Behavioral Economics v. Traditional Economics: What is the Difference? Cornell University.  
[http://bogan.dyson.cornell.edu/doc/Hartford/Bogan-8\\_BehavioralTraditional.pdf](http://bogan.dyson.cornell.edu/doc/Hartford/Bogan-8_BehavioralTraditional.pdf)

[4] behavioraleconomics.com. (2016, May). Behavioral Science Concepts.  
<https://www.behavioraleconomics.com/resources/mini-encyclopedia-of-be/>

[5] Beaujean, M., Davidson, J., & Madge, S. (2006). The “moment of truth” in customer service. Mohsin Ibrahim.  
<http://ibrahimm.com/Financial%20Research%20and%20%20Tools/McKinsey%20Articles%20BANKING%20AND%20FINANCE/Custom%20Service.pdf>

[6] Dasu, S., & Chase, R. B. (2014, August 20). Want to Perfect Your Company's Service? Use Behavioral Science. Harvard Business Review.  
<https://hbr.org/2001/06/want-to-perfect-your-companys-service-use-behavioral-science>

[7] Huang, W., Mitchell, J., Dibner, C., Ruttenberg, A., & Tripp, A. (2020, September 16). How Customer Service Can Turn Angry Customers into Loyal Ones. Harvard Business Review.  
<https://hbr.org/2018/01/how-customer-service-can-turn-angry-customers-into-loyal-ones>

**More than 25 years ago VHT invented Callback technology and has been a leading provider ever since.**

Today VHT continues to improve the customer experience with its Mindful Platform. Mindful is a cloud-based SaaS platform created to integrate Callback technology with other voice, text, chatbot, and additional platforms to allow seamless transitions between talk and text with your customers.

