



Banks And Retailers: You Cannot Price Your Way Out Of Bad Customer Experiences

by Maxie Schmidt-Subramanian, May 1, 2013

KEY TAKEAWAYS

Customer Experience Trumps Perception Of Price-Value As A Loyalty Driver

Customer experience (CX) is a more powerful customer loyalty driver than price-value perception. It accounts for 55.1% of loyalty for banks and 46.5% for retailers. Price-value perception plays just a small additional part in driving loyalty. Even so, banks and retailers can't ignore price-value because it affects loyalty via its impact on CX.

Banks: Negative Price Experiences Hurt CX And Loyalty

Banks depend on great CX, but many are not good enough at delivering it. Overly aggressive pricing or nickel-and-diming customers has a lasting negative impact on CX as well as customer retention and upsell or cross-sell.

Retailers: CX Can Insulate Against Defection Resulting From Pricing Moves

For retailers, a superior CX is table stakes in a category that is already delivering good or great CX. Adding a strong CX approach to their competitive strategy gives retailers more options, flexibility, and room to differentiate.

Don't Try To Price Your Way Out Of Bad Customer Experiences

Banks and retailers can't outperform competition on price only while ignoring CX. Instead, they should formulate a CX strategy that describes their target customers' CX and pricing needs. To win over customers, retailers need to compete on CX, not price, and banks need to build trust in the transparency and fairness of their rates and fees.



Banks And Retailers: You Cannot Price Your Way Out Of Bad Customer Experiences

Why Customer Experience Matters More To Loyalty Than Price

by [Maxie Schmidt-Subramanian](#)

with [Harley Manning](#), [Patti Freeman Evans](#), [Catherine Graeber](#), Molly Huie, Jason Knott, and Molly Murphy

WHY READ THIS REPORT

Have you ever wondered whether it makes more sense to invest in customer experience or in dropping your prices to improve customer loyalty? We tested the relationship between customers' perceptions of their experience, their perceptions of price-value, and their loyalty. This report shows how customer experience trumps price-value perception as a loyalty driver for banks and retailers and what this means for retailers and banks that want to deepen their relationships with their customers.

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As part of an online survey in Q4 2012, Forrester asked 7,506 US consumers about their customer experience, loyalty, and price-value perception based on their recent interactions with banks and retailers.

Related Research Documents

[How CX Professionals Can Use VoC To Surface Pricing Issues](#)
February 21, 2013

[The Customer Experience Index, 2013](#)
January 15, 2013

[Executive Q&A: Forrester's Customer Experience Index](#)
January 4, 2013

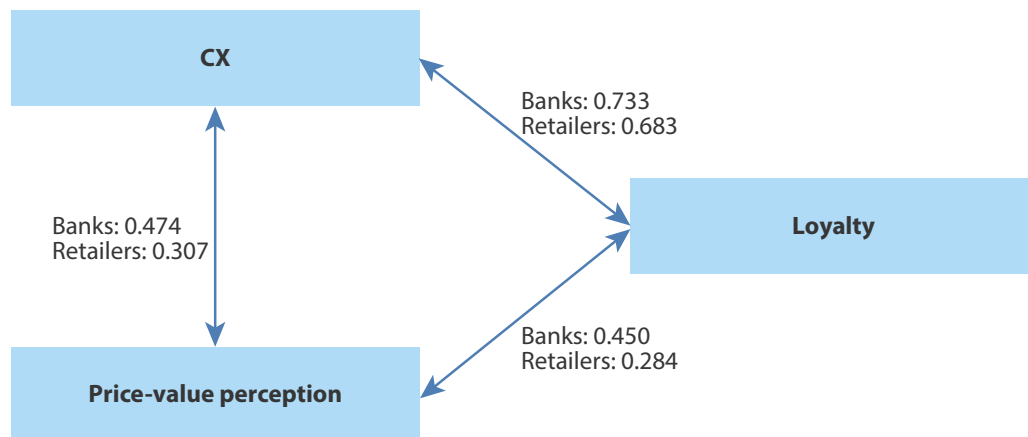
[Pricing Matters For Customer Experience Professionals!](#)
October 23, 2012

CUSTOMER EXPERIENCE TRUMPS PRICE-VALUE AS A LOYALTY DRIVER

Forrester recently tested the relationship between customers' perceptions of their experience, customers' perceptions of price-value relationships, and customers' loyalty.¹ The results were striking:

- **For customers, price-value perception and customer experience are two different things.** Price-value perception and customer experience (CX) are correlated on a low to moderate level (see Figure 1).² This means that price-value perception and customer experience move in the same direction but are not the same thing in the minds of consumers, who can and do judge them separately.
- **CX is a far more powerful driver of loyalty than price-value.** We looked at how price-value perception and CX affect loyalty. The correlation analysis shows that CX is more correlated to loyalty than price-value. And our regression analysis shows that CX is the main driver of loyalty for both banks and retailers (see Figure 2).³ In contrast, price-value perception has only a small effect on loyalty for banks and a negligible effect on that for retailers.⁴
- **CX and price-value perception together account for roughly half of customer loyalty.** For banks, CX and price-value perception *taken together* account for 56.3% of loyalty. For retailers, CX plus price value drives 47.2% of loyalty, up just slightly from CX alone.

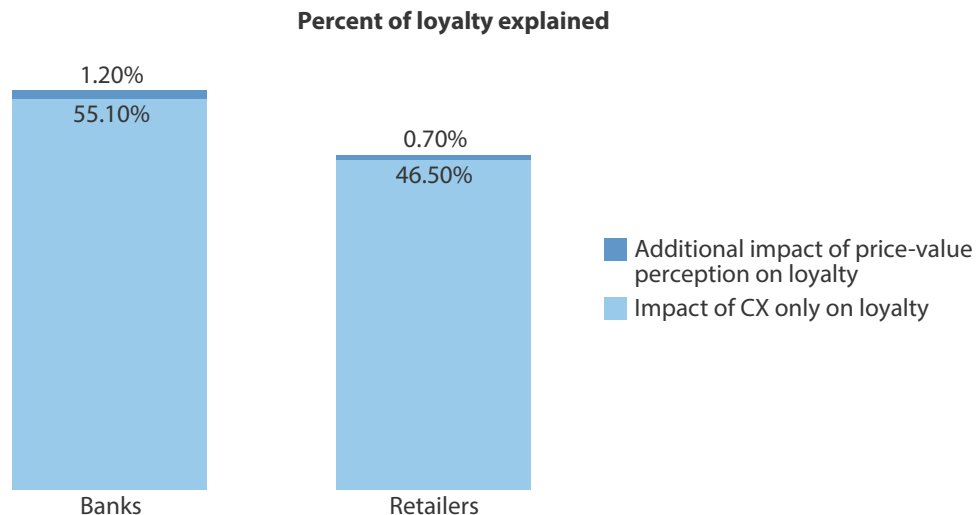
Figure 1 The Correlations Between Customer Experience, Price-Value Perception, And Loyalty



Base: US online consumers who had done business with a retailer or a bank in the past 90 days

Source: North American Technographics® Customer Experience Online Survey, Q4 2012 (US)

Note: The correlations listed above are statistically significant at the 0.001 level, which means Forrester is 99% confident in the validity of the results.

Figure 2 Customer Experience Is The Strongest Driver Of Loyalty For Banks And Retailers

Base: US online consumers who had done business with a retailer or a bank in the past 90 days

Source: North American Technographics® Customer Experience Online Survey, Q4 2012 (US)

Note: The percentages listed above are included in a statistically significant regression model. This model is statistically significant at the 0.001 level, which means Forrester is 99% confident in the validity of the results.

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Source: Forrester Research, Inc.

Why Customer Experience Comes Before Price-Value For Consumers

Years of Forrester data across multiple industries confirms the strong relationship between the quality of a firm's customer experience and the loyalty of its customers.⁵ But even we were surprised to see how much more important customer experience is than price-value perceptions when it comes to driving loyalty. What's the explanation? After careful analysis, we conclude that it's because companies must first and foremost⁶:

- **Meet customer needs: If the product or service is wrong, price becomes irrelevant.**
 Customers first identify a product or service that meets their needs and then judge its value for money. For example, a small business owner who needs to deposit cash or checks at odd hours might first identify the subset of banks that offers ATMs close to work. In that case, a bank without nearby ATMs won't be considered, even if the bank offers free checking. Similarly, a slim shopper looking for trim-cut polo shirts won't go to a "big and tall" store and buy full-cut shirts even if those shirts are a real steal.
- **Make it easy to do business: Great price-value can't overcome a poor convenience quotient.**
 Convenience is an all-encompassing concept that explains why products with the best price-value relationship don't always win in the marketplace (HD DVD versus Blu-ray).⁷ In customer

experience terms, companies that knock down barriers to doing business have an advantage over those that leave customers to struggle. USAA offers its globally dispersed banking customers the ability to deposit a check via mobile phone without having to mail in a piece of paper from overseas — a convenient option that's truly priceless. And even though Amazon.com doesn't always have the lowest prices for any given product, its relentless focus on ease of use — ranging from one-click ordering to streamlined self-service — has helped fuel impressive growth and made it the starting point for 30% of online shoppers.⁸

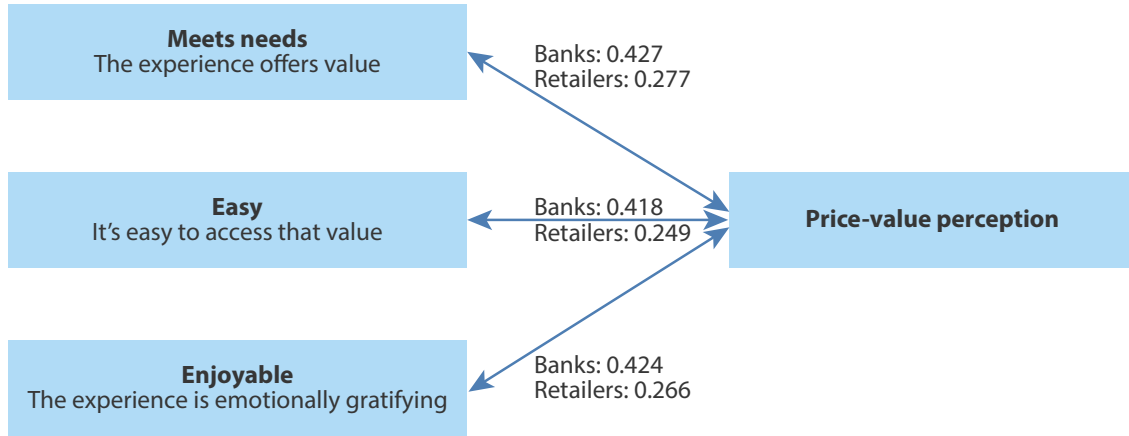
- **Create enjoyable interactions: Price-value can't outweigh customers' emotions.** When people make decisions, emotions often outweigh logic.⁹ For example, one reason customers chose credit unions over banks is because of their helpfulness and trustworthiness.¹⁰ And smart, low-cost retailers such as Trader Joe's, QuikTrip, and Costco — which pay their employees more, invest more in training, and have more full-time salespeople than other low-cost retailers — make shopping more pleasant and are more profitable than most of their competitors and have more sales per employee and per square foot.¹¹

But Companies Still Can't Ignore The Impact Of Pricing

Even though CX is a far more powerful loyalty driver than price, companies can't dismiss the importance of pricing on loyalty and the customer experience, because:

- **Price-value perception is linked to CX.** Because CX and price-value perception *are* correlated, changes in CX will influence the price-value perception and vice versa. In fact, our research shows that price-value perception is correlated with all three components of CX — meets needs, easy, and enjoyable — at a similar level (see Figure 3).
- **Price-value perception drives loyalty through its link to CX.** Even though a diminished price-value perception might have little *direct* effect on loyalty, it will influence it *indirectly* via its effect on the CX. This effect is true for both retailers and banks, although it's more important for banks due to the higher correlation between price-value and CX.
- **Price-value perception is just *one* aspect of price satisfaction.** In our survey, we asked customers about price-value perception. However, there are other drivers of price satisfaction including price fairness, price transparency, price reliability, and competitiveness of price (see Figure 4).¹² Overall price satisfaction and its drivers, especially price fairness, have been proven to affect customer satisfaction and loyalty in various other studies.¹³

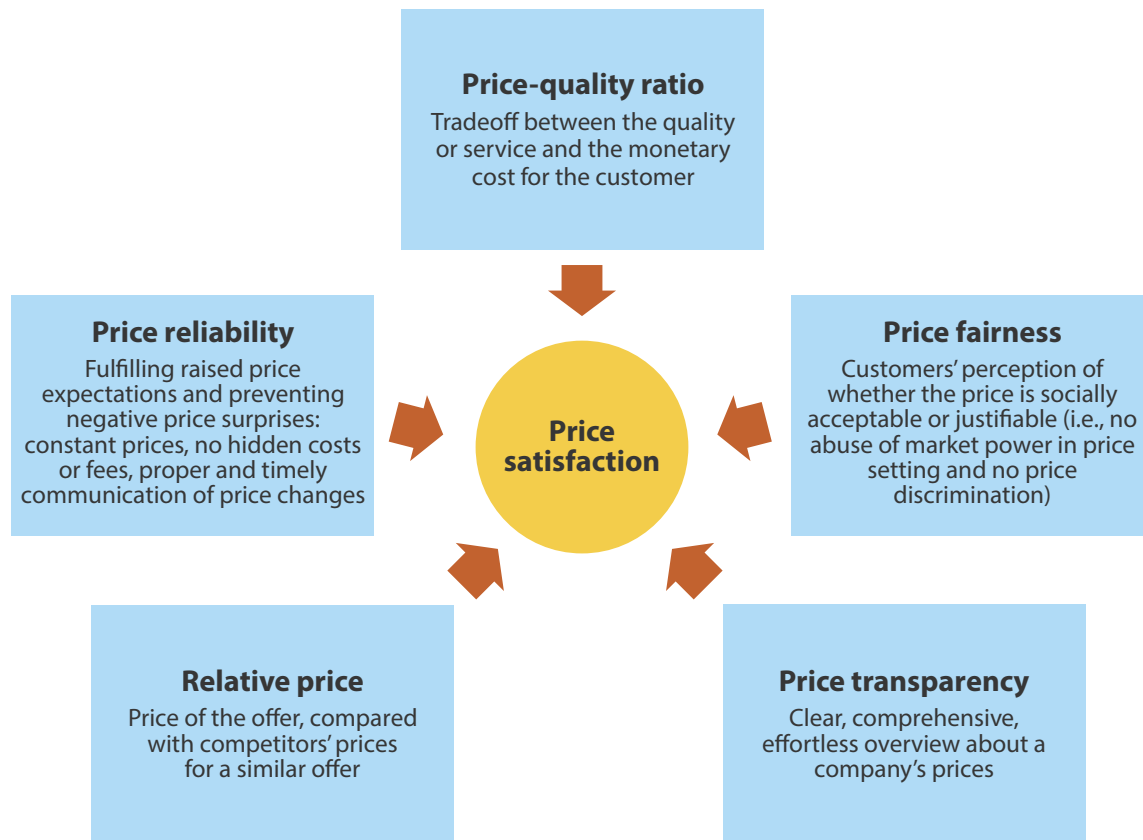
Figure 3 Price-Value Perception Is Correlated With CX Components: Meets Needs, Easy, Enjoyable



Base: US online consumers who had done business with a retailer or a bank in the past 90 days

Source: North American Technographics® Customer Experience Online Survey, Q4 2012 (US)

Note: The correlations listed above are statistically significant at the 0.001 level, which means Forrester is 99% confident in the validity of the results.

Figure 4 Five Main Drivers Of Price Satisfaction

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Source: Forrester Research, Inc.

Banks: Negative Price Experiences Hurt CX And Loyalty

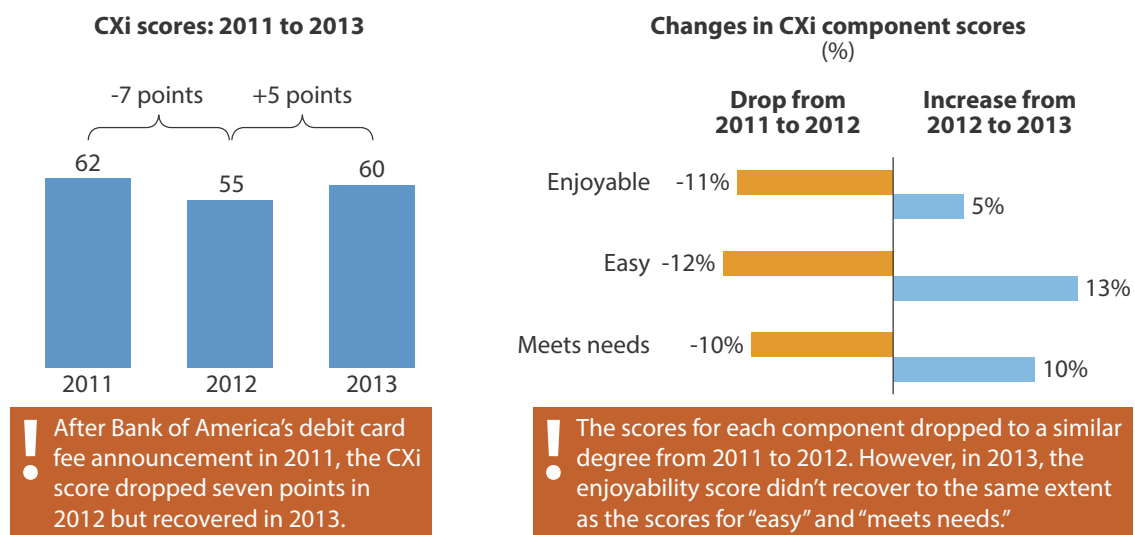
Banks need to provide customers with positive overall experiences, while avoiding negative price experiences, because:

- **Banks need great CX (which most don't have) to drive loyalty.** Weak customer experience increases the chance that customers will switch parts of their business away from a bank.¹⁴ Unfortunately, banks as an industry only rank in the middle of Forrester's Customer Experience Index (CXi), with an average CXi score of 71. Bigger banks including Wells Fargo, Citibank, and Bank of America have some of the lower scores in the index, leaving them vulnerable.¹⁵
- **Effectively meeting customers' needs is most important to loyalty.** Our research shows that a bank's effectiveness at meeting its customers' needs is the most important component of CX when it comes to driving loyalty. However, the other two components of CX follow very closely.

Interestingly, being enjoyable beats ease of doing business by a small margin. That means that for bank customers, an emotionally gratifying experience is even more important than having easy access to the value the bank's products and services provide.

- Overly aggressive pricing has a lasting negative impact.** In 2011, Bank of America introduced a \$5 debit card fee. Public outrage resulted in the bank rescinding the fee but not before Bank of America helped credit unions gain hundreds of thousands of new customers.¹⁶ Not coincidentally, the bank's rating in the CXi dropped by seven points for that year, with drops in all three components of the index.¹⁷ Even though that score nearly recovered in Forrester's CXi 2013, enjoyability — the second most important component for driving loyalty to banks — never quite made it up to the previous level (see Figure 5).
- Nickel-and-diming customers leads to diminished loyalty.** Wells Fargo and Fifth Third both posted debit card transactions and/or ATM withdrawals in nonchronological order so that they could maximize the number of overdraft fees they charged to customers who had insufficient funds. That practice resulted in a class action settlement that cost Fifth Third nearly \$10 million and a proposed Wells Fargo settlement in the hundreds of millions of dollars — which is still being disputed.¹⁸ Today, both Wells Fargo and Fifth Third rank low in Forrester's CXi. In the future, nuisance fees like these will come to customer attention faster than ever before because customers can sign up for online financial management services from providers like Mint.com, which warns them when their bank has nickel-and-dimed them (see Figure 6).

Figure 5 Proposed Debit Card Fees Caused Bank Of America's CXi Score To Drop



Base: US online consumers who had done business with a retailer or a bank in the past 90 days

Source: North American Technographics® Customer Experience Online Survey, Q4 2012 (US)

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Source: Forrester Research, Inc.

Figure 6 Financial Management Service Mint.com Gives Clients Nickel-And-Dimed Warning For Fees

Your bank has nickel and dimed you!
With \$49.75 in fees this year, you may be overpaying.

ACCOUNT	DESCRIPTION	FEE	TOTAL FEES / YEAR
Bank of America - Personal Checking	Monthly Service Charge	\$9.95	\$49.75

If you're seeing too many fees, consider an account with no monthly fees.. Here's our top recommendation

[EverBank](#)
Up to 1.72% first-year APY, \$1,500 to open [Apply Now](#)

Source: Flickr; Mint.com

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Source: Forrester Research, Inc.

Retailers: CX Can Insulate Against Defection Resulting From Pricing Moves

Retailers need to focus on customer experience because:

- **CX is a key influence on loyalty for retailers — but differentiating based on CX is tough.**

Retailers face a dilemma: For them, CX is critical to earning customer loyalty. However, it's hard to stand out at CX because the industry in general is good to great at it. For the fourth year in a row, retailers had the highest average score across all industries in our CXi at 82.¹⁹ Marshalls took the top spot in the 2013 rankings, and 10 of the 13 companies with excellent scores are retail brands.²⁰ Successful retailers like Amazon.com and Marshalls are at the top of the CX index and have a favorable price-value perception. Retailers like Office Depot, OfficeMax, and Staples that are currently struggling in the market are on the other end of the spectrum with both lower CX ratings and a lower price-value perception.²¹

- **As with banks, effectively meeting customers' needs is paramount.** Our research shows that for retailers, meeting customers' needs drives loyalty most, with the other two components of CX following closely. Ease of doing business with a company is a slightly more important loyalty driver than having an enjoyable interaction, but by a very small margin.
- **Pricing moves cannot buy loyalty.** Because price-value perception and loyalty are correlated at only a low level, even improving price-value perception drastically will not improve loyalty significantly. Price-value perception and propensity of customers to switch part of their business away from a retailer are also correlated at just a very low level.²² That means that customers may switch business away from a retailer even if they think that the ratio of the value for the price paid is favorable.
- **A superior customer experience provides retailers some leeway for pricing moves.** As long as prices stay in a competitive range, a great customer experience can insulate retailers against price moves. This is because a better CX has a bigger influence on loyalty than improving the price-value perception — for example, by lowering prices or offering discounts.

RECOMMENDATIONS

DON'T TRY TO PRICE YOUR WAY OUT OF BAD CUSTOMER EXPERIENCE

If you work at a bank or retailer, you'll face an uphill battle if you try to outperform competition based on price while ignoring customer experience. Don't even try. Instead, deliver a superior CX, which you can do when you:

- **Understand the link between pricing and CX for your customers.** To find out how the findings of this study apply to your company, review existing customer research and artifacts like qualitative studies, journey maps, and personas. Then fill knowledge gaps with additional qualitative research that probes your customers' price-value perception.²³ Also probe for the importance of the other key drivers of price satisfaction: fairness, transparency, price-quality ratio, reliability, and competitiveness of the price.²⁴
- **Develop a CX strategy to meet your target customers' CX and pricing needs.** Your CX strategy should describe the experiences and pricing you want to deliver to satisfy your target customers.²⁵ For example, grocery chain Whole Foods Markets currently targets customers that value health and sustainability — many of them in higher-income areas.²⁶ Consequently, it doesn't compete on price. Instead, its experience features high-quality products with a lot of choice in organic alternatives as well as pleasant, small stores with superior service.²⁷

- **Compete for your retail customers on experiences, not price.** Nordstrom provides superior in-store service and a return policy that allows customers to bring back anything they bought, even years ago, and refunds the purchase price directly.²⁸ Nordstrom.com does offer price matching but restricts this to “similar retailers.”²⁹ Some of the top retailers in the CXi — like Target and Costco — also provide very generous return policies, even though, unlike Nordstrom, they’re value brands.³⁰ And Amazon provides great CX in part by offering its Prime membership, which makes ordering from Amazon very easy.³¹ As a result, Amazon ranks No. 5 in the CXi and has an excellent score for being easy to do business with.
 - **Develop banking customers’ trust in your pricing and policies.** Avoid negative price experiences and instead deliver on customer advocacy. This means that your customers trust you to do what’s best for them, not just for your company’s bottom line.³² Customers who rate their firms highest on customer advocacy are least likely to leave. However, fewer than half of all customers rate their banks high on customer advocacy, especially the customers of big banks.³³ Credit unions — which rank high both in Forrester’s customer advocacy ratings as well as in Forrester’s CXi — show how to build trust: For example, Pentagon Federal Credit Union makes it easy to find rate and fee information on its website by displaying rate tables on its home page.³⁴ This also increases price transparency, a driver of price satisfaction and loyalty.
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SUPPLEMENTAL MATERIAL

Methodology

Forrester conducted the North American Technographics® Customer Experience Online Survey, Q4 2012 (US), survey fielded in November 2012 of 7,506 US individuals ages 18 to 88. For results based on a randomly chosen sample of this size (N = 7,506), there is 95% confidence that the results have a statistical precision of plus or minus 1.13% of what they would be if the entire population of US online individuals ages 18 and older had been surveyed. Forrester weighted the data by age, gender, income, broadband adoption, and region to demographically represent the adult US online population. The survey sample size, when weighted, was 7,440. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that this was an online survey. Respondents who participate in online surveys have in general more experience with the Internet and feel more comfortable transacting online. The data is weighted to be representative for the total online population on the weighting targets mentioned, but this sample bias may produce results that differ from Forrester’s offline benchmark survey. The sample was drawn from members of MarketTools’ online panel, and respondents were motivated by receiving points that could be redeemed for a reward. The sample provided by MarketTools is not a random sample. While individuals have been randomly sampled from MarketTools’ panel for this particular survey, they have previously chosen to take part in the MarketTools online panel.

For Technographics Clients: How To Get More Technographics Data Insights

Forrester's North American Technographics Customer Experience Online Survey, Q4 2012 (US), of 7,506 US individuals includes many additional questions and parameters by which you can analyze the data contained in this report. If you wish to subscribe to Forrester's Consumer Technographics services, please contact your account manager or data@forrester.com. If you are an existing Technographics client, please contact your data advisor at consumerdataadvisor@forrester.com. We can provide additional insights about:

- **Demographics.** Forty-nine percent of respondents in the survey are male, and 51% are female. The mean age of respondents was 44.3.

ENDNOTES

- ¹ The basis for this analysis was the customer experience questions and loyalty questions we regularly use in Forrester's North American Technographics Customer Experience Online Survey. This year, we additionally introduced a new question on the price-value perception: "Compared with the prices or fees that the company charges, is the value it delivers . . . (on a scale of 1 [very low] to 5 [very high])?" For the correlation and regression analysis, we used the repurchase intention question: "How likely are you to consider the firms below for your next purchase (on a scale of 1 [not likely at all] to 5 [very likely])?" For a detailed description of the methodology behind Forrester's CXi, see the January 4, 2013, "[Executive Q&A: Forrester's Customer Experience Index](#)" report.
- ² Forrester analyzed the correlation between the perception of customer experience, the perception of price-value, and intended loyalty. The correlation coefficients in this figure show the strength and direction of the relationship between two variables. Even though the correlation is low, it is significant. Correlation coefficients between 0.9 and 1 are considered "very high," between 0.7 and 0.9 are considered "high," between 0.5 and 0.7 are considered "moderate," and between 0.3 and 0.5 are considered "low."
- ³ Forrester did a regression analysis with perception of customer experience and of price-value as the independent variables and intended loyalty as the dependent variable. This analysis shows how strongly each of the independent variables affects the dependent variable.
- ⁴ For banks, the best regression model uses both CX and price-value perception, but adding in price-value only incrementally increases the strength of the model. However, for retailers, the best regression model uses just CX.
- ⁵ Forrester has confirmed a strong relationship between the quality of a firm's customer experience (as measured by Forrester's CXi) and three key loyalty measures: willingness to consider the company for another purchase, likelihood to switch business, and likelihood to recommend. For details on these relationships, see the March 26, 2012, "[The Business Impact Of Customer Experience, 2012](#)" report.
- ⁶ For more details on the components of customer experience, please see the January 24, 2011, "[Perception Is Reality When Measuring Customer Experience](#)" report, and see the January 10, 2013, "[Executive Q&A: Customer Experience Measurement](#)" report.

- ⁷ From more than a decade of surveying millions of consumers about hundreds of products and services, Forrester has concluded that the secret to creating and marketing a successful consumer product experience lies in a single, comprehensive concept: convenience. See the February 6, 2009, "[Cracking The Convenience Code](#)" report.
- ⁸ As Amazon.com has grown aggressively in recent years, expanded into diverse businesses, and achieved profitability, its impact on the eBusiness and retail sectors is now top of mind. For many businesses, Amazon is simultaneously a sales channel, a potential service provider, and a competitive threat. See the July 26, 2012, "[Why Amazon Matters Now More Than Ever](#)" report.
- ⁹ The notion that people are rational agents in the marketplace, naturally predisposed to making logical, conscious choices, is simply false. The overwhelming majority of decisions people make each day are unconscious. Worse still: The reflective mind that they use to make those decisions is hard to invoke, lazy, and slow and consumes more energy than the automatic mind we assume that they're using. See the July 10, 2012, "[Design Enjoyable Experiences Now](#)" report.
- ¹⁰ An independent study by social media analyst company, Crimson Hexagon, looked at 220,000 social media posts pointing to reasons why consumers joined a credit union. The study spanned 11 months and examined several aspects consumers seek from a financial institution. Source: Gina Ragusa, "Social Media Study Reveals Why Consumers Join a Credit Union," Credit Unions Online, February 6, 2013 (<http://www.creditunionsonline.com/news/2013/social-media-study-reveals-why-consumers-join-a-credit-union.html>).
- ¹¹ Enjoyment is one of the best possible outcomes of any customer experience. But the majority of firms can barely design a useful, usable experience, much less a pleasurable one. Recent advances in the behavioral sciences, however, prove that enjoyable experiences can be managed and measured and are well within reach for disciplined firms. The research cited here was conducted by Tom for the Harvard Business Review. This does not only apply to low-cost retailers. Surowiecki also cites research published by The Wharton School, conducted by Marshall Fisher, Jayanth Krishnan, and Sergui Netessine, which demonstrates that "every dollar in additional payroll led to somewhere between four and twenty-eight dollars in new sales." See the July 10, 2012, "[Design Enjoyable Experiences Now](#)" report. Source: James Surowiecki, "The More The Merrier," The New Yorker, March 26, 2012 (http://www.newyorker.com/talk/financial/2012/03/26/120326ta_talk_surowiecki).
- ¹² For more details on the drivers of price satisfaction, see the February 21, 2013, "[How CX Professionals Can Use VoC To Surface Pricing Issues](#)" report.
- A study confirms these dimensions of price satisfaction for the retail banking industry. Source: Kurt Matzler, Andreas Würtele, and Birgit Renzl, "Dimensions of price satisfaction: a study in the retail banking industry," International Journal of Bank Marketing, 2006.
- ¹³ Varki and Colgate found that price perceptions significantly affect customer retention for banks. Source: Sajeev Varki and Mark Colgate, "The Role of Price Perceptions in an Integrated Model of Behavioral Intentions," Journal of Service Research, 2001.
- A study of purchasing scenarios at Amazon.com by Bo Dai shows that "perceived price fairness has a strong positive impact on customer satisfaction with purchase. The study finds that perceived price fairness has a

strong negative impact on consumers' self-protection and revenge intentions, but a strong positive impact on re-purchase intention." Source: Bo Dai, "The Impact of Perceived Price Fairness of Dynamic Pricing on Customer Satisfaction and Behavioral Intentions: The Moderating Role of Customer Loyalty," Auburn University, August 9, 2012.

- ¹⁴ Our research showed not only that CX is positively correlated to loyalty but also that it is negatively correlated to switching behavior (i.e., customers' intent to switch parts of the business away from a company). For banks, this correlation is on a low level.
- ¹⁵ Scores of these three banks range from 53 to 61. Another bank with a very low score is Fifth Third. For more details on the scores of banks, see the January 15, 2013, "[The Customer Experience Index, 2013](#)" report.
- ¹⁶ Source: Andrew R. Johnson, "Banks Plan New Fees for Using Debit Cards," The Wall Street Journal, September 30, 2011 (<http://online.wsj.com/article/SB10001424052970204138204576600800330404330.html>); Jilian Mincer, "Credit union business grows as consumers sour on banks," Reuters, November 4, 2011 (<http://www.reuters.com/article/2011/11/04/us-credit-unions-banking-idUSTRE7A28DA20111104>).
- ¹⁷ For more details, see the January 23, 2012, "[The Customer Experience Index, 2012](#)" report.
- ¹⁸ Fifth Third has agreed to a settlement of nearly \$10 million following a lawsuit in the US District Court for the Northern District of Illinois in 2011 to settle the allegations that they were charging unfair overdraft fees. As part of the settlement, Fifth Third announced that it will also move to posting its debit card and ATM transactions chronologically. Source: Teresa Dixon Murray, "Fifth Third to pay nearly \$10 million to settle overdraft suit," Cleveland.com, December 1, 2010 (http://www.cleveland.com/business/index.ssf/2010/12/fifth_third_settles_overdraft.html).
- Wells Fargo faced a similar lawsuit in 2010 at the US District Court for Northern California and a settlement of \$200 million was proposed. Source: "Judge orders Wells Fargo to pay back \$203 million in overdraft fees," Cleveland.com, August 11, 2010 (http://www.cleveland.com/business/index.ssf/2010/08/judge_orders_wells_fargo_to_pa.html).
- Recently, the US 9th Circuit Court of Appeals overturned the court ruling, but the case will go back to the district court, which could reverse this decision again. Source: Natalie Rutledge, "Wells Fargo Overdraft Fee Policy Upheld by Court," LowCards.com, December 28, 2012 (<http://www.lowcards.com/wells-fargo-overdraft-fee-policy-upheld-court-7251>).
- Wells Fargo and Fifth Third are not the only banks to be mentioned in these kinds of lawsuits. Among the other banks named in another consolidated lawsuit at a Miami Federal Court in 2011 were Bank of America, Citigroup, J.P. Morgan Chase, Wells Fargo, US Bancorp, SunTrust Banks, and Huntington Bancshares. Source: David Benoit, "BofA to Pay \$410 Million to Settle Overdraft Suit," The Wall Street Journal, May 23, 2011 (<http://online.wsj.com/article/SB10001424052702304520804576341891896098036.html?cb=logged0.07821975066326559>).
- ¹⁹ This refers to results from Forrester's Customer Experience Index, 2013. This report answers the question, "How good is the customer experience at your company — as rated by your own recent customers?" by

providing benchmarks of the quality of customer experience for 154 large US brands across 14 industries including retailers, hotels, banks, credit card providers, insurance firms, airlines, wireless service providers, and investment firms. We show not only the highest- and lowest-scoring companies and industries but also the ones that moved up or down since our 2012 study. Customer experience professionals should use it to understand their competitive environment and set goals for optimizing their customer experience management system. For more details, see the January 15, 2013, "[The Customer Experience Index, 2013](#)" report.

²⁰ These brands are Marshalls, Sam's Club, Target, Amazon, Rite Aid, Costco, Lowe's, TJ Maxx, JCPenney, and Kohl's.

²¹ "Office Depot, OfficeMax, and their larger rival Staples have all been struggling to adapt amid changing shopper habits and a slow economic recovery. They have been closing stores, downsizing others, and trimming overhead, but investors and Wall Street analysts argue that the changes haven't occurred fast enough — and aren't significant enough — to reverse the sector's diminishing financial results." Source: Anupreeta Daz, Ryan Dezember, and Ann Zimmerman, "OfficeMax, Office Depot in Talks to Merge," The Wall Street Journal, February 18, 2013 (<http://online.wsj.com/article/SB10001424127887323495104578312262231011572.html>).

²² Our research showed not only that CX is positively correlated to loyalty but also that it is negatively correlated to switching behavior (i.e., customers' intent to switch parts of the business away from a company). For retailers, this correlation is on a very low level.

²³ For example, every two years, Deutsche Telekom, Germany's biggest telecommunication provider, conducts qualitative research using a critical incident technique study. In customer interviews, a research vendor guides customers along a recent journey and asks them to recall incidents that were memorable because they were especially satisfying or dissatisfying. Deutsche Telekom then validates the pricing issues to understand how relevant they are for its customer base, specifically for key customer segments, and includes them in its regular surveys. During the next scheduled qualitative research study, it examines whether customers still feel pain related to that pricing issue. If not, it eliminates those questions. See the February 21, 2013, "[How CX Professionals Can Use VoC To Surface Pricing Issues](#)" report.

²⁴ For more information on how to probe for these drivers of price satisfaction, see the February 21, 2013, "[How CX Professionals Can Use VoC To Surface Pricing Issues](#)" report.

²⁵ Every company needs a CX strategy. To develop one, a company needs to define a customer experience strategy that describes the intended customer experience, to align that strategy with overall company strategy and brand attributes, and to share that customer experience strategy with all employees. A great example of defining a CX strategy is USAA. USAA envisioned "buying circles" when it realized that customers looking for insurance or financing were trying to accomplish something much larger. This vision informed experience design teams to consider the role of internal groups (insurance and finance) as well as external factors such as salesmen at auto dealerships. For more information on CX strategy, see the June 6, 2012, "[Innovative Customer Experience Strategies](#)" report.

- ²⁶ Whole Foods has a very specific value proposition, catering to health-conscious consumers who enjoy food. “The original customer was the natural organic person. Then the foodie customer came in. That customer started to come in because we had good, fresh food. We had fresh fruits and vegetables and good fresh meats. Now with the Millennials coming in, they are interested in things like fair trade and whole trade. What we’ve seen is that our customer has become more ethnically diverse as well. People think, well, it’s just rich white people. No, it’s actually not. It’s students and people of all ethnicities [who] are interested in health. Health is the great common denominator, the great platform of the 21st century. Our business has grown a lot because our appeal to customers has broadened.” Source: Katie Arcieri “Whole Foods’ Walter Robb talks strategy in N.C.,” Sustainable Business Oregon, January 31, 2012 (<http://sustainablebusinessoregon.com/national/2012/01/whole-foods-walter-robb-talks.html?page=all>); Tom Ryan, “Whole Foods Market Aims for 1,000 Stores in the US,” Forbes, May 7, 2011 (<http://www.forbes.com/sites/retailwire/2011/07/05/whole-foods-market-aims-for-1000-stores-in-the-u-s/>).
- ²⁷ “We made our stores a little smaller again. We really got back to our roots about being a healthy eating retailer.” Source: Katie Arcieri, “Whole Foods’ Walter Robb talks strategy in N.C.,” Sustainable Business Oregon, January 31, 2012 (<http://sustainablebusinessoregon.com/national/2012/01/whole-foods-walter-robb-talks.html?page=all>).
- ²⁸ Source: Dana Dratch, “Five Popular Stores With Great Return Policies,” Fox Business, December 14, 2012 (<http://www.foxbusiness.com/personal-finance/2012/12/14/five-popular-stores-with-great-return-policies/>).
- ²⁹ “At Nordstrom we are committed to offering you the best possible prices. We will be glad to meet our competitor’s pricing if you ever find an item that we offer, in the same color and size, available from a similar retailer.” Source: Nordstrom (<http://shop.nordstrom.com/c/pricing-policy>).
- ³⁰ Source: Dana Dratch, “Five Popular Stores With Great Return Policies,” Fox Business, December 14, 2012, (<http://www.foxbusiness.com/personal-finance/2012/12/14/five-popular-stores-with-great-return-policies/>).
- ³¹ The ordering process is a big driver of customer satisfaction with the fulfillment, which creates loyal customers. “By providing a satisfactory ordering process, e-tailers can somewhat ameliorate the negative effects of higher prices and will have higher overall ratings for fulfillment satisfaction. This is critical because fulfillment satisfaction creates loyal customers. As expected, higher prices lead to lower price satisfaction, but the effect of price satisfaction on fulfillment satisfaction was negative. This unexpected result has important implications for e-tailers intending to compete based on low prices. Increased levels of price satisfaction due to low prices do not positively affect satisfaction with the fulfillment process. Therefore, competing on price may not be a viable long-term strategy for online retailers.” Source: Yong Cao, Thomas S. Gruca, and Bruce R. Klemz, “Internet Pricing, Price Satisfaction, and Customer Satisfaction,” *International Journal of Electronic Commerce*, 2003/2004.
- ³² Forrester’s research shows that a key driver of deeper customer relationships among financial services consumers is a trait Forrester calls customer advocacy — the perception on the part of customers that a firm does what’s best for them, not just what’s best for the firm’s own bottom line. When customers feel that a financial services firm acts in their best interest, they are willing to invest more, borrow more, and buy more products from the firm. Forrester’s 2012 customer advocacy results reveal how the biggest US

financial services firms are perceived by their customers. eBusiness and channel strategy professionals can learn from leading firms like USAA and credit unions how to demonstrate customer advocacy in digital channels. For details, see the April 30, 2012, "[Customer Advocacy 2012: How Customers Rate US Banks, Investment Firms, And Insurers](#)" report.

³³ Forrester defines customer advocacy as the perception on the part of customers that a firm does what's best for them, not just what's best for the firm's own bottom line. For details, see the April 30, 2012, "[Customer Advocacy 2012: How Customers Rate US Banks, Investment Firms, And Insurers](#)" report.

Forrester has proven that customer advocacy is closely linked to customer loyalty. For details, see the May 26, 2009, "[Customer Advocacy 2009: How Customers Rate US Banks, Investment Firms, And Insurers](#)" report.

³⁴ For details, see the April 30, 2012, "[Customer Advocacy 2012: How Customers Rate US Banks, Investment Firms, And Insurers](#)" report.

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