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Designing the Soft Side of Customer Service

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In service environments, customers have complex needs. Even in the most mundane encounters, emotions are lurking under the surface. Your job is to make those feelings positive.

BY SRIRAM DASU AND RICHARD B. CHASE

WHEN PEOPLE THINK about innovation in customer service, they usually think in terms of technological or process enhancements that make service delivery faster or more efficient. In recent years, restaurants have introduced hand-held devices that buzz patrons when their table is ready, and supermarkets offer customers self-service checkout lines. While such innovations may simplify matters for customers, service organizations rarely stop to consider the overall psychology that shapes service encounters. Indeed, despite the plethora of articles and books about managing the customer experience, many key psychological variables that influence customer perceptions — the subtle enhancements that help define a positive experience — have yet to be defined or articulated fully. (See “About the Research,” p. 34.)

Organizations often measure the outcomes of service encounters in concrete terms such as on-time flight arrivals or the time to resolve a customer’s call. However, the subjective outcomes — the emotions and the feelings — are more difficult to describe: Did the passenger enjoy the flight? Did the customer who called the service center with a problem hang up feeling better about the provider? Much as having a deeper understanding of systems dynamics and process analysis has pushed companies to re-engineer their operations to achieve explicit outcomes, findings from behavioral decision-making research, cognitive psychology and social psychology can point service providers to ideas for redesigning the psychological or implicit aspects of service encounters.

In an earlier article we drew upon the seminal work by decision theorists such as Kahneman, Ariely and Loewenstein to propose several service design principles.¹ We noted, for example, that good service design needs to pay attention to the sequence of events that comprise the service.² All things being equal, it is

Designing positive emotion into a service experience can be simple — such as when restaurants “piggyback” on good feelings by recognizing a patron’s birthday.



THE LEADING QUESTION

How can service organizations make their encounters with customers more positive?

FINDINGS

- ▶ Service providers need to recognize how emotions, trust and feelings about control shape how customers perceive their service experience.
- ▶ The “ETCs” need to be managed as design variables.
- ▶ The “soft side” of customer service requires the same management intensity as, say, supply chain redesign.

ABOUT THE RESEARCH

Ten years ago we became interested in what we believe to be the last frontier of service design: how customers subconsciously experience service interactions. While much attention was being paid to organizational culture and human resource management, there was very little research on how service operations and processes could be designed to deliver the implicit or psychological outcomes. Our initial research involved studying what the major researchers in cognitive psychology and behavioral decision making had found from experimentation and theory building. We also conducted numerous interviews and workshops with Harrah's, MGM Resorts International, Dell, Farmers Insurance, the Seattle SuperSonics and McKinsey & Co. The goal was to develop a new way of engineering service encounters. We have conducted field experiments to test our concepts and are currently applying these ideas to health care, working with companies to reengineer processes and systems.

also good practice to conclude an encounter on a high note — to “finish strong.” Further, it helps to get the unpleasant parts out of the way early so people have events to look forward to. We also noted that even though requiring customers or patients to wait is a negative, it's better to consolidate the waiting into one block of time (to “segment the pleasure and combine the pain”) rather than requiring people to endure multiple waits. Some of these principles are counterintuitive and not accessible through conventional customer surveys and focus groups.

In this article we examine how three additional factors — emotions, trust and control — can influence customer assessments of service experiences and their overall view of service providers. These factors are key elements in most service encounters — in many cases they either drive or reinforce how customers perceive their experience. Organizations that take the time to understand how each of them works will have opportunities to shape new offerings that lead to more positive service results.

- *Emotions* influence what we remember, how we score encounters and the decisions we make. We all have explicit memories that we access about events, and implicit, or unconscious, emotional memories that characterize our feelings during those events.³ Emotionally charged episodes (both positive and negative) are often easily recalled.
- *Trust* is a primitive psychological variable that is essential to any robust and enduring relationship. Without trust there is often no engagement, only negative feelings such as anxiety and frustration. With trust comes a sense of comfort.
- *Control* over one's environment and knowledge of how events are going to evolve are fundamental psychological needs.⁴ Research shows that feelings of control (or lack thereof) can affect one's health. Negative events — for example, learning of a serious illness or a large decline in the value of one's retirement fund — can inflict serious psychological harm by diminishing our sense of control. However, control is linked to trust, and greater trust can reduce a customer's need for control.

Designing the “ETCs”

In recent years, manufacturing companies have achieved significant productivity and quality gains by embedding new production knowledge into produc-

tion systems. Services providers can achieve similar levels of improvement by embedding psychological knowledge into their customer service encounters. They can accomplish that by actively addressing emotional, trust and control factors — what we refer to as “the ETCs” — as design variables.

Designing for Emotions

Companies work hard to select the emotions that make up their competitive positioning. We refer to this high-level positioning as the “emotional platform.” When The Allstate Corp. says, “You're in good hands” with its insurance, it wants to reinforce the idea of security and loyalty. MGM Resorts International's marketing tag line for the MGM Grand, “Maximum Vegas,” is intended to convey a sense of thrill and excitement.

An organization's commitment to an emotional platform can facilitate decisions regarding its processes, people and physical assets. Consider Harrah's Entertainment Inc., the casino operator. Given that it's in the entertainment and hospitality business, it could have chosen fun and excitement as its emotional platform. But management discovered that, more than fun and excitement, its most valued customers identified more with luck. Since the probability of winning depends on the nature of the gamble and is regulated, management needed to understand how customers experienced their feelings of luck. Management learned that gamblers, in addition to being superstitious, believed in routines: They wanted to control everything from where they parked their cars to which machines they used to how long they had to wait in the dining room. They saw delays as unwelcome obstacles. In response, Harrah's began offering customized services to top-tier customers. These customers have access to their favorite machines, parking spots and rooms; separate waiting lines at dining facilities; and dedicated shop-floor employees who understand their routines and idiosyncrasies. Today, if a regular Harrah's customer wins a jackpot, she will have someone assisting her within 90 seconds.

Tracking Emotions Once a company has selected its emotional platform, the next step is designing the interactions that consistently manage emotions in accordance with the platform. That requires management to understand the evolving relationships among

process flows, transaction history and emotions.

In most complex service settings, different stages of the service cycle and different service offerings and products will lead to different emotions. For example, at a general hospital, the parents of a healthy new baby will be in a very different emotional place than the relatives of a patient who has just been admitted to the intensive care unit. Similarly, passengers bound for vacation in Hawaii are apt to be more excited than business travelers flying from Chicago to Dallas.

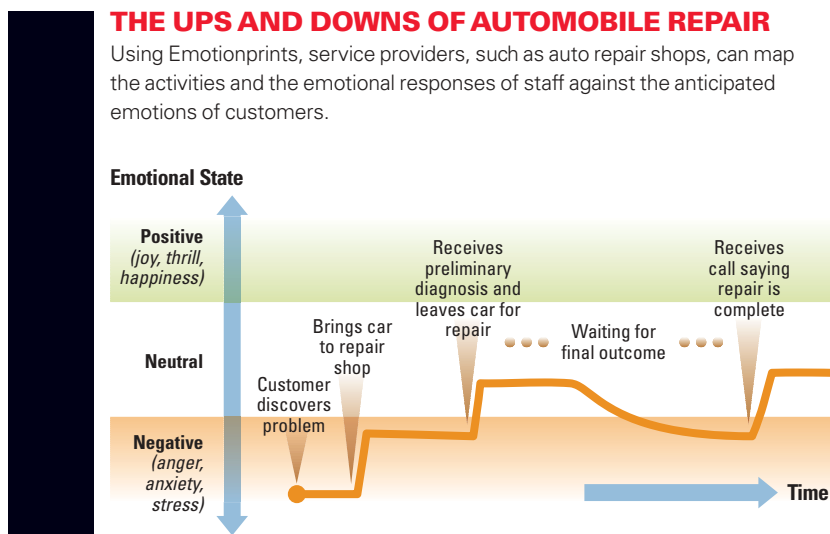
To develop a more nuanced approach to designing emotionally sensitive processes, one must understand the drivers of emotions. In general, people become emotional when they first discover a change in anticipated outcomes, be they potential or real. People likely experience fear if the truck in front of them on the highway dangerously swerves into their lane. An employee may feel joy when he learns that his bonus is higher than expected. The strength of our emotions generally corresponds to the relative importance we place on the outcome. According to appraisal theory, five factors cause us to experience an emotion or some combination of emotions:⁵

1. The change in outcome improves our situation or makes it worse.
2. The new outcome is associated with a penalty or a reward.
3. The new outcome is certain or just a possibility.
4. The causal event is significant or powerful, and its resultant change difficult to cope with; alternatively, the event is not very significant and the changes are easy to cope with.
5. You are responsible for the event and incumbent change; alternatively, an outside agency is responsible for the event and change.

Appraisal theory makes it possible systematically to analyze customer-facing processes and anticipate customer emotions. We refer to the service flowcharts that describe how customers feel as “Emotionprints.” Emotionprints are particularly useful when the emotional state of customers is directly tied to steps in the service cycle. For example, it is well known that expectant parents experience two emotional peaks: the first time they see the ultrasound image of the fetus, and when the newborn baby cries. Experiences in other realms have their own patterns. When automobile owners discover a problem with their car, there is a

THE UPS AND DOWNS OF AUTOMOBILE REPAIR

Using Emotionprints, service providers, such as auto repair shops, can map the activities and the emotional responses of staff against the anticipated emotions of customers.



predictable pattern of events and emotions. (See “The Ups and Downs of Automobile Repair.”)

Responding to Emotions Once managers define customer emotions typical to specific stages of a service, they can design the appropriate service responses. A response includes the information managers share and the attitudes employees display. Hotels have long recognized that concierges and bellboys should display a welcoming attitude toward guests. Other service establishments can learn from their example by prescribing the attitudes employees should display at key moments of service delivery. The attitudes can be broken down into sets of behaviors or actions. For example, an attitude of invitation might include eye contact and smiling at the customer. An attitude of celebration could include cheering and applauding. An attitude of compassion might involve attentive listening and speaking softly.

Emotions are also influenced by a customer’s transaction history with the company. A customer calling to rectify a billing error for the fourth time is likely to have stronger emotions than a customer calling about a problem the first time. That underscores the importance of having information systems that provide service employees with a comprehensive picture of the company’s relationship with the customer.

The key to empathy is being aware of how the customer is feeling. Having an awareness of previous interactions can help servers prepare for their customers’ responses and understand that there may be a basis for a customer’s emotions. Armed with this

information, companies have opportunities to design more thoughtful customer interactions. In call centers, for example, calls can be routed to service agents with special authority and advanced customer management skills. Similar forethought can be put into highly charged patient interactions, such as those involving expectant parents.

Among pregnant women, it is well known that genetic tests cause anxiety, and test results that indicate potential genetic abnormalities generate strong emotions. A well-designed system would alert service providers of the emotional state of patients who might be vulnerable so that special staff are on hand. The ability to anticipate patient needs cannot be overvalued. In one of our focus group studies, we learned of a patient who suffered a miscarriage; at a follow-up appointment, a physician's assistant asked her if she planned to breast-feed. To avoid such service blunders, the clinic now inserts flags in patient files to alert caregivers about a patient's emotional state.

Influencing Emotions Linking process flows and transaction history to emotions allows service organizations to limit negative emotions and accentuate positive ones. An extreme example can be found at professional sporting events, where team employees work to stimulate crowd involvement with timely messages (for example, "Defense!") on the big screens. However, other service organizations are paying close attention to this opportunity area as well. White Memorial Medical Center, in East Los Angeles, for example, recently implemented a patient tracking system of patient waiting times and delays. When a patient's wait exceeds a set threshold, staff members inform the patient about the expected waiting time and the causes of the delay. The system has enabled the hospital to reduce complaints and increase overall satisfaction.

Organizations in general have found success in identifying and focusing on points in the service cycle where emotions tend to be high. Rather than include everything, it helps to simplify by concentrating on the strong positives or negatives, and determining whether the emotions are caused by the company or by external agents. (See "Emotional Moments and Organizational Responses.")

In any service business, service breakdowns are to be expected. But how companies respond is criti-

cal. Service providers that are able to correct problems quickly have opportunities to generate strong customer good will. The benefits come largely from the improved emotional state of customers who have experienced failures.

At present, service design focuses heavily on service recovery.⁶ However, service companies have other, less obvious opportunities to deliver customer value. For example, in the wake of car accidents, drivers often experience negative emotions that are not connected to the insurance company but to the stress of the situation. There is an opportunity for the insurer to strengthen the relationship with the customer by showing support. At a minimum, the agent can show concern by sending a note or calling — or the company can go a step further. For an extra fee, Allstate offers customers a special rider that automatically "forgives an accident" and holds premium rates steady even if the accident turns out to be the policyholder's fault. There are similar opportunities to piggyback on positive emotions.⁷ Businesses can align themselves with positive experiences, as when restaurants recognize a patron's birthday.

Designing for Trust

Consistent performance goes a long way toward building trust, and the use of traditional operations management approaches, such as Six Sigma, can be important drivers. The need for trust is particularly important when the outcomes are not completely under the control of the service provider and when the customer is not in a position to assess the service provider's knowledge or skills. That is often the case with professional services, where customers have legitimate questions about whether service providers have the skills, the motivation and the resources to serve them.

There are significant differences between how customers assess a service provider's motivation and how they view competence. In most professional services, it is easier to judge motivation than competence. Motivation is seen as a reflection of attitude, while content-related errors are seen as inadvertent or the result of extraneous causes (and thus easier to forgive). A waitress who makes a mistake on an order but then compensates with diligent service is likely to get a bigger tip than a waitress who makes no errors but is viewed as being indifferent. That helps explain why good service recovery boosts loyalty.

Although credentials, testimonials and recommendations are frequently important factors in trust, many customers make their judgments based on other cues, including a person's behavior, problem-solving skills, ability to communicate clearly and other surrogates such as the ability to perform ancillary tasks. For example, the core task of a consulting engagement might be reorganizing a client's call center, but an essential aspect of the job might be managing the logistics of client meetings. If that is managed efficiently, the consultant may benefit from a halo effect, which may help the company sell the client on other consulting engagements. Indeed, there are other process variables, such as response time, that customers often use as indicators of overall competency and professionalism. Here are some others:

Professional Appearance Customers often look for physical cues. In one study, subjects judged a travel agent with a messy office to be less competent than one with a more organized office.⁸ Personal appearance can also be a factor. A recent study of doctors reported in the *New York Times* showed that patients were more trusting of doctors who dressed professionally than those who were overly casual; as a result, they were more likely to follow the professionally dressed doctors' orders.⁹

Clear Communication Every profession contains terminology that facilitates rich communication among experts. When specialists use explanations that seem incomplete, customers question their qualifications. But when explanations are too complicated, customers complain about that. The key is to relate as clearly as possible to customers.

Active Involvement Customers constantly monitor the motivation of service providers. When it is seen as lacking, it inevitably influences customer judgments about a service provider's competence. Service providers must ensure that they are not showing indifference to customers by the way they organize service delivery or assign personnel. When companies are able to show that they are processing a customer's order — as FedEx Corp. does with its well-known package tracking capability — they help themselves. We call this the “*We're on it!*” factor.” In health care, the importance of active involvement and listening is

documented in studies.¹⁰ Farmers Insurance Group of Companies found that satisfaction scores for the claims process were highly correlated with whether clients believed in the commitment (an aspect of motivational trust) of the claims agent. Commitment was judged on the basis of level of engagement and whether the agent was viewed as proactive.

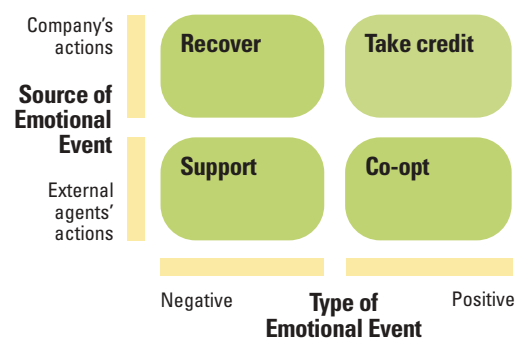
Smart Follow-up Little gestures speak volumes about a server's motivation. These include following up with the customer after the contractual obligations have been completed.

Likability Often lost in the electronics of customer relationship management is the importance of interpersonal familiarity and likability in establishing customer confidence and trust. To be sure, likability is complex — it is made up of numerous variables, including friendliness, congruence of values, language and, especially in professional services, similarity of backgrounds.

Willingness to Take the High Road In most service situations, the service provider has the upper hand in terms of power and/or information and the customer or client is at a disadvantage. We contend that trust increases significantly when the dominant party signals that it will not exploit the other's vulnerability. For example, a rental car company waiving a late fee or a salesman recommending that

EMOTIONAL MOMENTS AND ORGANIZATIONAL RESPONSES

Service providers should categorize events based on the type of emotion and the source. When negative events are caused by the company, quick recovery is vital. When they are caused by external agents, the company can generate good will by either being supportive when the emotions are negative or celebrating with the customer when the emotions are positive.



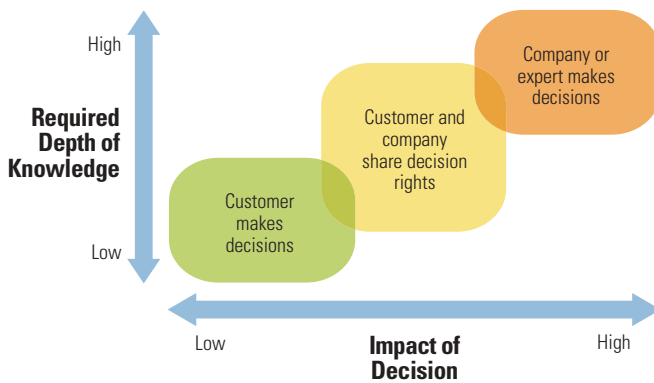
CUSTOMER SERVICE

customers refrain from purchasing what's known as a profitable option can yield important benefits such as loyalty and referrals that may far outweigh the additional dollars they would have otherwise generated. Many service providers are reluctant to operate that way for fear that there is too much to

control and the ability to manage when the service is delivered; off-line waits are preferable to in-line waits. Cognitive control is created by conveying information about the process or the outcome to the customer. When airlines post information about flight delays, they are restoring cognitive control.

ALLOCATING DECISION RIGHTS

Customer preferences on decision rights depend on the importance of the decision and their level of knowledge. On major decisions, customers frequently prefer to cede decision control to those with more expertise. Where decisions are relatively inconsequential, service providers can cede decision rights to customers, thereby giving them a greater sense of control.



lose. But when a company such as Progressive Casualty Insurance Co. quotes rates from competitors or a medical specialist encourages his patients to seek a second opinion, they are wagering that the pluses will outweigh the minuses.

Designing for Control

Every service encounter that involves uncertainty either in outcome or process will cause customers to experience a loss of control. Service providers design for control in two ways: by allowing people to have *behavioral control* over parts of the service delivery process, and through *cognitive control*, where even though customers can't influence the process, they can see enough of the system to know that it's well managed. Behavioral control is at play when investors get to select from a menu of retirement investment options; when patients get to arrange their own hospital meal schedules; and when cable subscribers get to personalize their channel lineups and home entertainment choices. In general, if service is not going to be delivered right away, customers prefer having behavioral

Outcome Information Making information available to customers is central to managing cognitive control. Although it might seem helpful for service providers to provide customers as much information as they can, there are situations where more information is not necessarily better and may even be worse. For example, some terminally ill patients don't want to know their prognosis. Likewise, in the wake of the recent stock market declines, many investors prefer not to be reminded of the shrinking value of their retirement savings. Events that generate strongly positive or negative emotions need to be handled with care. In such situations, it's often possible to allow people to choose how much information they will receive. Web technologies are well suited for this customization, allowing individuals to access as much or as little information as they want based on what they can handle emotionally.

Process Information Even people who don't want a lot of detail about outcomes often like to know as much as possible about process. One way to provide process information is with service previews, which can reduce anxiety about the negative aspects of a service and prepare people for the positive parts. For example, Kaiser Permanente, an Oakland, California-based health care provider, offers seminars designed to give patients undergoing medical treatment an overview of the steps they will need to navigate. Bumrungrad International Hospital, a leading multispecialty medical center in Bangkok that serves patients from all over the world, connects prospective patients to recent patients with similar backgrounds. That allows people to get information specific to their needs.

Control and Decision Making Providing information about outcomes and process only addresses some of the main concerns. Another key issue of control is the allocation of decision rights between customers and service providers. What decisions should the com-

pany allow the customer to make? Increasingly, for instance, auto insurance companies have recognized the importance of this aspect of the service experience in defining their relationship with customers. Progressive Insurance, for example, offers customers the option to buy a concierge service. In the event of an accident, customers who purchased this service can have the insurance company deal with the repair process from start to finish. Under a traditional policy, the customer chooses the repair shop and handles the interactions; with the concierge service, the insurance company does everything. Our research found that customer preferences on decision rights are based on the significance of the decision and the level of knowledge customers have. On major decisions, customers frequently prefer to cede decision control to service providers with greater expertise. In instances where the decisions are relatively inconsequential, providers can allocate decision rights to customers, giving them an increased sense of control. (See "Allocating Decision Rights.") In situations that fall in the middle, a segmented approach makes sense. Service providers need to balance the costs of choice against the benefits of perceived control. We find that businesses often fail to optimize this trade-off by either overestimating the cost of choice¹¹ or by not sufficiently recognizing the customer's need for control. For example, in health care, several studies have shown that patients' decision control needs are rarely met because physicians don't adequately recognize patients' decision needs.

ORGANIZATIONS SEEKING to excel in customer service need to explore opportunities to revamp their service processes. They need to attack the "soft side" of customer management with the same type of focus they have previously used to re-engineer work flow and supply chains. It is not enough to assume that the organizational culture or heroic actions by a few front-line employees will produce the proper outcomes. Rather, managers must carefully rethink the psychological aspects of emotions, trust and control of service encounters much the way industrial engineers approach the physical side of work. Although some areas, such as mobile technologies that facilitate banking or access to medical records, may lend themselves to technological innovations, the first requirement for any service provider is having a clear understanding of the kind

of service and personal attention customers are looking for as well as their emotional needs.

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