Panamoure

Unlocking profitable growth by simply making customers' lives easier

Contents

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Philip is a highly experienced senior executive level professional with extensive experience in manufacturing, consumer goods, retail and financial services, with a focus on driving improved customer experiences to increase advocacy and reduce cost. With over 30 years' experience in consulting and executive management, Philip has successfully led transformations across many start-up, unicorn and blue-chip organisations, adding value across programme management, business and data strategy, regulatory change, acquisition and integration, and supplier management.

01

In brief

Whilst cost and cash management are crucial to achieving business liquidity, driving customer growth is key to delivering sustained increases in EBITDA in the short, medium and long term – cost cutting alone won't deliver growth.

However, being confident that you have a foundation to achieve customer growth is dependent upon multiple factors including the available market and the breadth of product or service offering.

From a "customer service" perspective, being "match fit" for customer growth is typically assessed by measured Customer Satisfaction (CSAT) (based on how satisfied surveyed customers were) or Net Promoter Score (NPS) (based on how likely surveyed customers are to recommend the organisation to a friend or colleague). Whilst well intentioned, these measures have been proven to have a low correlation with predicting future customer re-purchase behaviour.

However, since 2010, the principal of "customer effort", or its reciprocal, "customer ease" has existed and has shown to not only forecast future customer growth, but also provide clear direction on the areas where focus is required.

This paper covers:

- **Why is new customer acquisition and retention key to growth?**
- **Why have historical measures failed in assuring growth?**
- **How do customer ease and customer effort predict success?**
- **How have organises grown through a focus on customer ease?**

02

The customer growth challenge

Any organisation looking to grow profitability (e.g. EBITDA) has two basic levers to pull – either to reduce costs or to increase revenues. Whilst close management of costs will yield benefits, the scale of potential impact will almost always be dwarfed by that from top line growth.

However, increasing revenue is dependent upon retaining your existing customers (and ideally selling more to them) or acquiring more customers to whom to sell – and predicting the likelihood of achieving this is usually, at best, a black art.

There are many factors that could constrain customer growth:...

Available market:

The number of potential customers

Competition:

The effectiveness and penetration of other organisations

Barriers to market entry:

The legal, financial and geographical hurdles to operating in other markets

Poor marketing and communication:

How well customers understand your features and benefits

Lack of quality & depth:

How well you meet customers' requirements

Misaligned pricing:

The cost relative to perceived and realised benefits

However, the benefit of addressing all of these will be dramatically diluted if it is easier for a customer to do business with a competitor.

Whilst historical customer experience measures such as Customer Satisfaction (CSAT) and Net Promoter Score (NPS) (respectively indicating how satisfied customers are with you service and how likely they are to recommend you to others) have been positioned as indicators of the efficacy of customer service – they have been proven to be poor indicators of future purchase behaviour and therefore poor predictors of customer and profit growth.

03

The history of customer metrics

Over the past 30+ years various measures such as Customer Satisfaction (CSAT) and Net Promoter Score (NPS) have been cited as measures indicative of organisations with excellent customer experiences – however, they have been shown to be poor predictors of customer retention or acquisition.

Exploring each of these in turn:

CSAT

This is a metric that measures how satisfied customers are with a company's products or services and is calculated by asking customers rate their satisfaction on a scale (typically 1-5), with customers usually surveyed following an interaction with a customer service team (for example, to resolve and issue or complaint).

These scores can then be aggregated to provide a collective view of performance and related trends over time.

However, the associated questions and measurement solely focus on satisfaction, with an assumption that satisfaction is sufficient to drive loyalty and advocacy.

NPS

This metric, developed by Fred Reichheld in 2003 is a metric used to measure customer loyalty and compare one business's performance to their competitors.

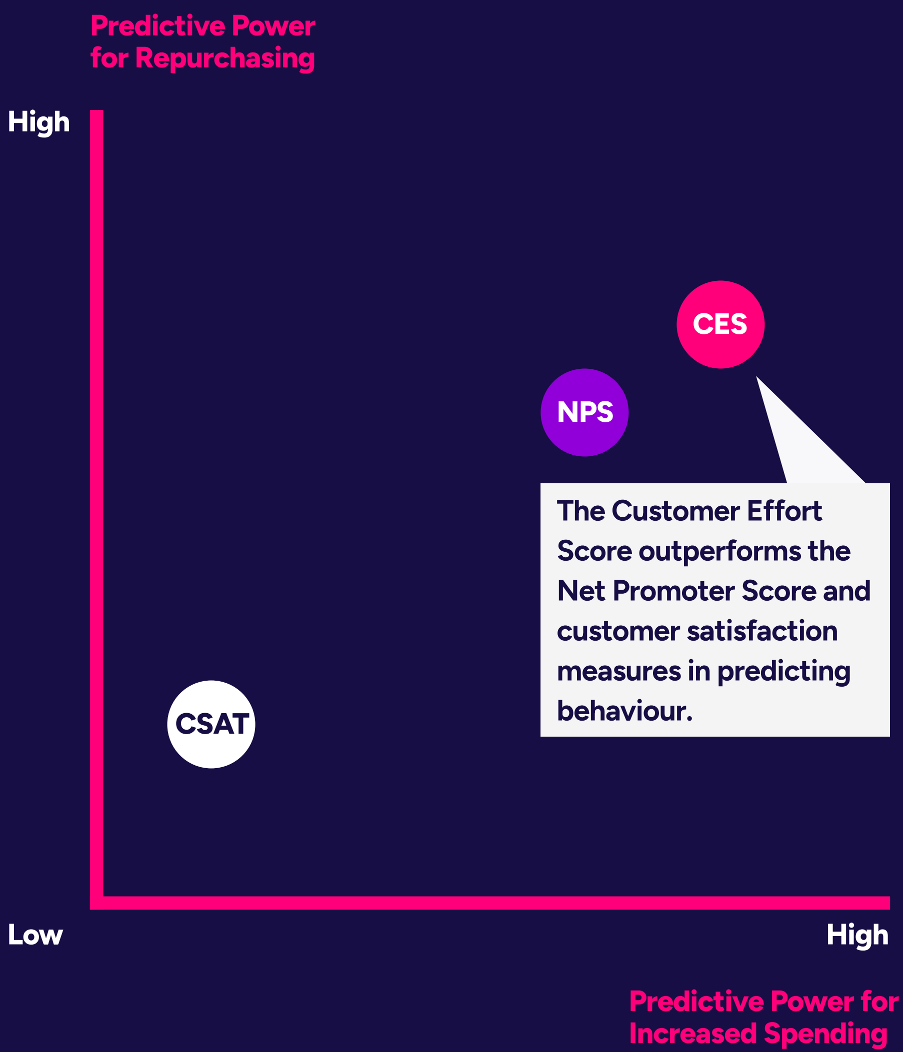
At periodic intervals (including after a customer service interaction), customers are asked how likely they are to recommend the company, product, or service to a friend or colleague on a scale of 0 to 10.

Individual customers are rated as promoters (scoring 9 or 10), passives (scoring 7 or 8), or detractors (scoring 6 or lower) and the individual customer scores combined to create an overall percentage score (where a high NPS % indicates high customer advocacy).

It was identified that organisations with a high NPS score (for example Amazon, Apple, Netflix, Tesla, and Lexus) had high customer loyalty and therefore organisations seeking to improve their customer retention (and related revenues) took actions to measure and benchmark their NPS against the leaders.

However, whilst initially NPS was shown to have a high correlation to advocacy, subsequent analysis has shown that this may not manifest itself in on-going revenue.

In 2010, a study published in Harvard Business Review titled ***"Stop trying to delight your customers"*** summarised detailed research which challenged the efficacy of both CSAT and NPS in predicting future customer purchasing behaviour and proposed an alternative approach titled "Customer Effort" that simply asked customers how easy it was to do business with the organisation.



[1] Introducing The Customer Effort Score

Not only does this measure enable organisations to more effectively drive growth, it also supports targeting areas of deficiency if supplementary questions are asked (such as "what can we do to make it easier") and then acted upon.

Interestingly, many of the organisations that were put on a pedestal for their NPS scores also had excellent customer effort scores, however, organisations with high NPS scores but poor customer effort scores correlated with poor customer retention and growth.

04

What is "customer ease"?

"Customer ease" (effectively the inverse of customer effort) is the principal of proactively reducing any friction in the end-to-end customer experience and thereby reducing all customer effort to a minimum.

Typically, four sources of customer effort need to be addressed to create "customer ease":

Cognitive
This covers the mental load required to complete the activity including the complexity of language used, difficulty in reading or hearing information and the implicit requirement to recall key information, process instructions and convey critical details.

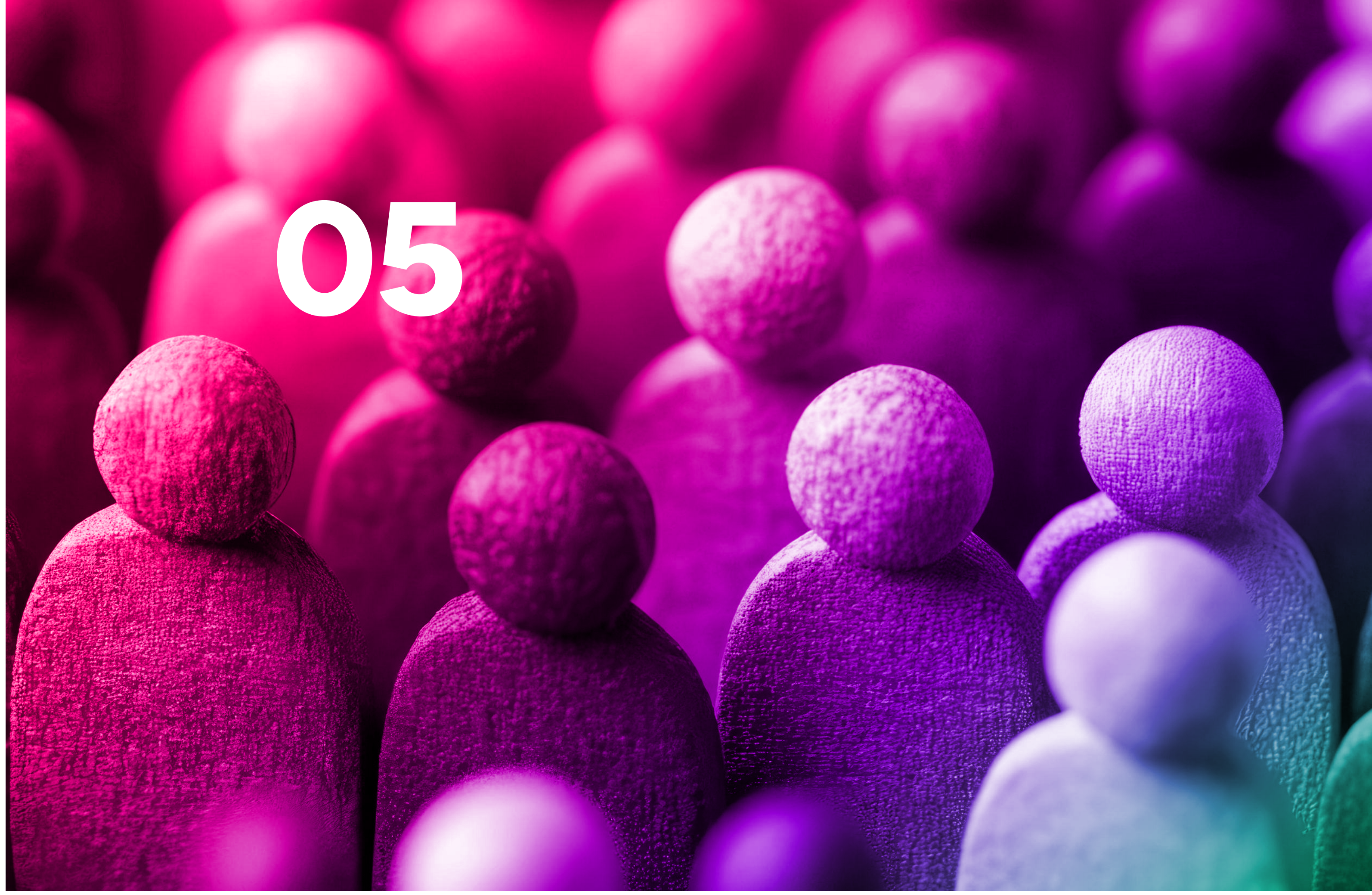
Emotional
This covers the effort put into managing one's emotions and the feelings of others, and includes the draw on energy related to recalling both positive and negative life events.

Physical
This covers the act of using your muscles to move your body, which results in the expenditure of energy, and extends to physical tasks such as walking and lifting.

Time
The covers the amount of time that has to be expended on completing an activity.

The target should be to minimise the impact of these throughout the customer journey, for example:

- Minimising the number of clicks between getting to a website and purchasing a product online
- Simplifying the language used when conveying key information
- Enabling customers to complete a task online rather than requiring a form to be printed out, completed and then scanned
- Communicating when an item will be delivered rather than simply despatched



05

Deliberate customer friction

There are circumstances where deliberately introducing targeted friction into the customer journey is required (due to legislation or regulatory guidelines) or recommended (to enhance the customer experience). Examples include:

Key financial commitments:

Where a customer is making a long-term financial commitment and/or the costs (to either the customer or the provider) of reversal or cancellation are significant. This could include mortgages and loans with material early redemption penalties.

High value, premium products:

Where targeting friction raises the perception of the product/service above a simple commodity, or where failure to ensure all options have been considered could be detrimental to the value of the product (for example when purchasing a car and not realising all configuration options that are available).

06

Success stories

Whist a focus on customer ease alone is unlikely to yield transformational results, it has a key role to play as part of an overall customer centric strategy.

Amazon

Amazon's almost exponential growth over the last 20 years, from c.$6m in 2004 to more than $600bn in 2024 (which represented c.1 in 3 goods sold online in the US and UK being sold through Amazon) has been achieved through a continuous focus on customer ease and convenience.

Although the growth has been achieved through the addition of new services, maintaining a customer retention rate of >90% has been key and has been achieved through a ruthless focus on:

- Reducing the number of physical clicks and data required to complete a purchase
- Effective and appropriate product recommendations – eliminated effort from product searches
- Accelerating product availability and fulfilment to door – making it easier and more convenient that going to a nearby mall
- Ensuring that faulty goods are easily replaced
- Enabling unwanted products to be quickly returned and credit received

Octopus

Whilst Octopus Energy surpassing British Gas in January 2025 (with over 23% of the UK consumer energy market) was in part achieved by the acquisition of mid-size suppliers (such as Shell Energy), the key driver was the recruitment of customers as individuals and their retention over time.

In addition to competitive pricing, Octopus Energy enable migrations that required the lowest effort, identify the reasons for customer contacts and then seek to address the underlying causal issues and failures.

Zappos

In just over 9 years from 1999 to 2008, Zappos, the US based online shoe retailer, grew its revenue from just over $1m to just over $1 billion – before being acquired by Amazon (for $1.2 billion). In addition to an overall focus on commitment to customer service (testing by mechanisms such as offering contact centre staff $2,000 if they want to leave after completing 4 weeks of initial training – to test loyalty and commitment), at the heart of this growth was the recruitment and retention of customers due to the ease with which they can do business with Zappos...and the speed with which issues are addressed.

McDonald's

Whilst McDonald's core offering has always been based on convenience and speed of service, a great example of their continuous focus on customer ease is the introduction of in-store kiosks (in the UK from 2011 and the US from 2015). Providing these as an additional (rather than replacement) channel is believed to achieve a sales increase of c.6%.

The introduction of these kiosks also removes a number of points of friction and has generated unexpected benefits:

- Integration with the McDonald's 'phone app has created a close to omnichannel experience
- The use of multiple language interfaces enables non-English speakers (in English speaking countries) to order with confidence
- Individuals with sight or hearing impairments able to access additional support and, again, order with confidence
- Individuals wishing to order additional items are able to do so without being seen to be judged!

Furthermore, one additional side benefit identified by organisations who focus on customer ease is that improvements have a tendency to reduce the cost of customer service creating an overall virtuous circle, increasing revenue whilst reducing costs. This has often been cited as "the best service is no service" – meaning that by addressing the underlying issues and reducing friction, the cost of resolving the residual volume of customer issues is significantly reduced.

07

Where to start?

1 Listen

Successful, long-term transformation will be achieved through an organisation wide focus on identifying and removing friction for customers. Insight on the areas on which to focus can be gained through simply listening to customer phone calls and finding the reasons why they are having to make contact.

This approach can be further refined through deployment of tools such as speech and text analytics which enable key reasons for contact and their relative frequency to be identified and measured over time.

2 Ask...and listen

Having addressed the most obvious issues, it's then (and only then!) appropriate to deploy customer survey tools to ask your customers whether you are easy to do business with and solicit what you can do to improve.

Whilst this insight can be used to establish an overall customer effort (or ease) score, akin to NPS, significantly greater value will be derived from acting on the insight gained.

3 Embed

Once underlying, longstanding issues have been addressed, focus should shift to embedding customer ease into new products and services as part of their development.

An often-overlooked approach to providing effective pre-launch insight is to engage with a focus group representative of the customers who most frequently make contact due to issues.

08

How can we help?

Creating a frictionless customer experience will yield significant returns, both in terms of customer advocacy, loyalty and re-purchases and in helping to reduce overall customer service costs.

However, with customer profiles changing, expectations constantly rising and the range of touchpoints rapidly evolving, how do you know where to start and what areas to invest in?

Gaining an independent perspective will enable you to see the bigger picture and gain the information you need to make informed decisions about your customer experience.

Our customer ease health-check can rapidly assess your service from the outside in and benchmark it compared against other organisations facing the same challenge.

The key questions we help you answer:

- **How to transform customer experience and reduce operating cost?**
- **What to measure and how to measure it to monitor the effectiveness of the customer experience?**
- **What role could technology play in transforming customer experiences?**
- **Where can new technologies add value and improve customer experiences?**
- **How can we optimise the vast data we have within our business?**

Crucially, we can help you increase customer ease whilst maintaining compliance against applicable regulation and drive service improvements to benefit all customers whilst enabling the overall cost of service to be reduced.

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