

---

# Great Expectations

*New tools to manage the customer experience by mastering expectations.*

**The Red Papers™ :**

OgilvyOne

---

# Great Expectations

*A Red Paper from OgilvyOne*

OgilvyOne

OgilvyOne

---

*Contents*

<i>page 6</i>	<b>Introduction</b>
<i>page 8</i>	<b>1. Experience</b>
<i>page 14</i>	<b>2. Expectation</b>
<i>page 22</i>	<b>3. Impact</b>
<i>page 28</i>	<b>4. A methodology for managing expectations</b>
<i>page 32</i>	<b>Conclusion</b>
<i>page 34</i>	<b>Colophon</b>

---

# Introduction

## It started with a deceptively simple question...

Why can two competing companies offer radically different levels of product or service and still have satisfied customers?

Most measures of impact (i.e. satisfaction, intent, evangelism) tend to draw a straight line between the customer experience and some measurable outcome. But as we've all seen, sometimes a great experience doesn't yield the desired impact. The converse is also true. Mediocre experiences can yield disproportional returns.

## Clearly there are other forces at play.

It is an exciting time in the field of customer experience. There is a wealth of research and practical examples that can inform and equip the modern marketer. At the heart of customer experience is the belief that by focusing on customer needs, (often called user-centric design), over business needs we can produce more effective products, services, marketing, etc.

Taking a customer-centric point of view often reveals predictable behaviours and psychological patterns. While humans like to believe that they are complex and unpredictable beings, decades of research frequently points to the contrary. It is this simple reality which is unlocking new insights and tools for marketers. This is also where we discovered what we believe is that there are other forces at play: expectations.

On the surface, an expectation is a simple thing; a belief that something will happen or be the case in the future. Poke your head below the surface, and many questions begin to arise:

- How are expectations formed?
- Are they measurable in a consistent way?
- Do they evolve over time?
- Can expectations be managed?
- If so, how and with what tools?

To answer these questions, not only did we need to dive deeply into the world of expectations, but also think about customer experience and the underlying psychology. What follows is an exploration of the interplay between experiences and expectations, which defines an equation we believe can unlock significant value and put new tools in the hands of marketers.

## Experience - Expectation = Impact

The communications, service, and innovations we produce to sell and differentiate our product.

The preconception that exists in consumers' minds, set by our communications, consumers' past experiences, and various other factors.

Our desired outcome: satisfaction, loyalty, or otherwise.

# 1. Experience

## Experience - Expectation = Impact

The communications, service, and innovations we produce to sell and differentiate our product.

The preconception that exists in consumers' minds, set by our communications, consumers' past experiences, and various other factors.

Our desired outcome: satisfaction, loyalty, or otherwise.

## Negativity bias

A common theme that underpins many of the arguments in this paper is that there are root biological reasons why we behave the way we do. One of the oldest of these is called negativity bias. This is the tendency for humans to over-stress the negative even in predominantly positive circumstances.

REPORT CARD	
Reading	A
Writing	A
Maths	D
Science	B
Art	A
Music	A

Any student or parent has likely to have experienced negativity bias. Think of a report card that had a single bad mark. All but one of those marks could be top, but the one poor mark dominates the evaluation of the report card. This is a prime example of negativity bias.

Tracing the origins of negativity bias takes us back thousands and thousands of years. In pre-historic times, survival for humans was a bit more challenging. A trip to get some water could precipitate a run-in with a saber-toothed tiger or some other unsavoury animal. This stark reality caused our ancestors to develop what could be called biological skepticism. Taking a negative view of the world was a survival technique. And while we don't live in such perilous times anyone, the impact has left deep seeded behaviours that we still manifest to this day.

*"The brains of humans and other animals contain a mechanism that is designed to give priority to bad news. By shaving a few hundredths of a second from the time needed to detect a predator, this circuit improves the animal's odds of living long enough to reproduce."<sup>1</sup>*

While it is hard for us to see the implications of this negativity bias, it is easily studied in a clinical environment. In a series of different contexts psychologists have looked at what the common balance of positive to negative is for humans and found that it is consistently 5:1.<sup>2</sup> For every negative experience, we need 5 positive experiences to counter the impact of the negative one.

This is a staggering realisation for marketers. If we attempted to satisfy this ratio throughout a customer journey it would take a disproportionate amount of effort to counter every potential negative experience, many of which are beyond a brand's control. This is a clear rationale for invention, creating new products and experiences rather than just focusing on fixing negatives.

We need to be aware of the latent negativity that our customer may express, sometimes unknowingly, but we also need to dig deeper for some more understanding and ways to tackle issues like this.

## How we remember

The second hurdle we face when confronting the flawed reality of how humans experience is that our memories are frequently misrepresentations of the way we truly experienced something. The following story, transcribed from a TED talk by Daniel Kahneman described this phenomenon beautifully:

*"Now, I'd like to start with an example of somebody who had a question-and-answer session after one of my lectures – He said he'd been listening to a symphony, and it was absolutely glorious music and at the very end of the recording, there was a dreadful screeching sound. And then he added, really quite emotionally, it ruined the whole experience. But it hadn't. What it had ruined were the memories of the experience. He had had the experience. He had had 20 minutes of glorious music. They counted for nothing because he was left with a memory; the memory was ruined, and the memory was all that he had gotten to keep."<sup>3</sup>*

Based on this story, Kahneman might argue that we throw away the old adage, "first impressions count." As with the previous section, this presents us with a fairly stark reality. A bad ending can erase all of the gains we have engineered throughout our customer experience.

But there is a glimmer of hope.

## The Peak-end rule

If you only choose to remember one thing from this paper, the Peak-end rule should be a strong contender. The Peak-end rule states that we judge our experiences almost entirely on how they were at their peak and how they ended, regardless of the quality of the experience. A peak can be a high point or a low point, often referred to as a trough.



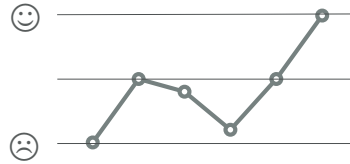
This chart illustrates how different combinations of positive and negative experiences yield overall different customer evaluations of an experience.

<sup>2</sup>Tiffany A. Ito, Jeff T. Larsen, N. Kyle Smith, and John T. Cacioppo, Negative Information Weighs More Heavily on the Brain: The Negativity Bias in Evaluative Categorizations

<sup>3</sup>[http://new.ted.com/talks/daniel\\_kahneman\\_the\\_riddle\\_of\\_experience\\_vs\\_memory](http://new.ted.com/talks/daniel_kahneman_the_riddle_of_experience_vs_memory)

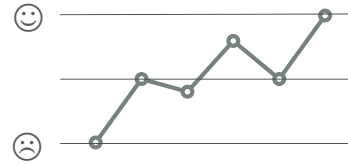
To illustrate how peaks and troughs manifest and can contribute to the overall evaluation of an experience, let's revisit the story of the damaged record from the previous section. What follows are two nearly identical customer journeys, one that might be evaluated as bad and one good. The important thing to notice is that they are both resolved identically.

## Bad



1. User experiences damaged record
2. User calls customer service
3. User is informed of a 30 minute wait time
4. User waits for approximately 30 minutes, attempts to watch an episode of The Office but is distracted by annoying hold music
5. User is connected with customer service
6. User is issued refund and free digital download

## Good



1. User experiences damaged record
2. User calls customer service
3. User is informed of a 30 minute wait time
4. User is offered the option for a call-back, accepts, and watches an episode of The Office undisturbed
5. User is called back by customer service
6. User is issued refund and free digital download

*Two similar customer journeys, where a small feature change, but identical point of resolution, yields different overall outcomes.*

This is the first of a few proactive tools that we can begin to use to drive the impact of the communications we produce and deliver to our customers. Following on from this exploration of a few of the psychological dynamics of experience, we are going to explore what presents itself as the slightly fuzzier world of expectations.

OgilvyOne

## 2. Expectation

### Experience - Expectation = Impact

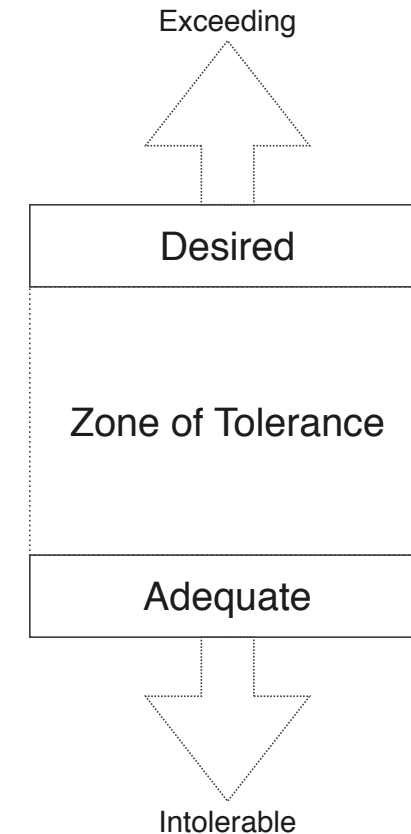
The communications, service, and innovations we produce to sell and differentiate our product.

The preconception that exists in consumers' minds, set by our communications, consumers' past experiences, and various other factors.

Our desired outcome: satisfaction, loyalty, or otherwise.

At some point in all of our schooling we were introduced to the idea of expectations and in most, if not all cases, that's where things remained. It's not that expectations aren't an important part of our everyday lives, but rather they aren't often strongly leveraged in a business context. Part of that might have to do with the fact that an expectation is a hard thing to quantify let alone quantify.

When challenged to come up with a structure to define expectations, we did what any advertising professional who fancies themselves as a bit of an academic would do... we scoured research papers looking for answers.



*A model for giving structure to expectations. Adapted from The Nature and Determinants of Customer Expectations of Service.<sup>4</sup>*

The model above gives us such a structure. Imagine an expectation. There exists some ideal state, that which is desired. Somewhere below that is that which we would deem adequate, not bad but also not good. Between these two states exists what this paper dubs "the zone of tolerance." The zone of tolerance is largely unremarkable and not an advantageous place for a brand to live.

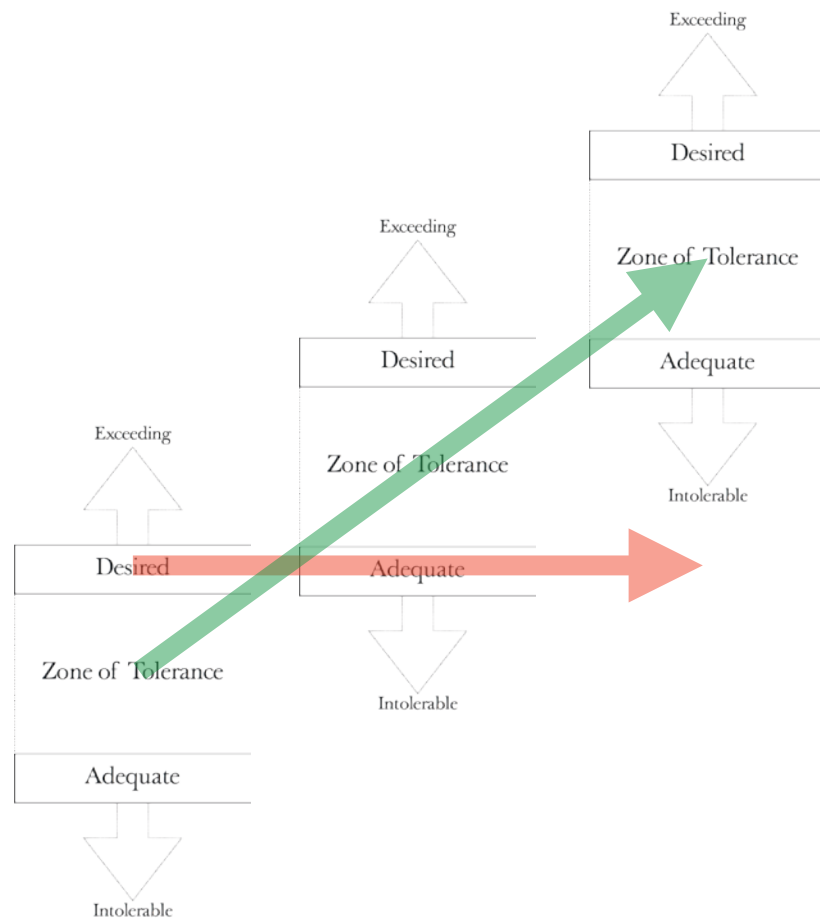
<sup>4</sup>Valarie A. Zeithaml, Leonard L. Berry and A. Parasuraman, The Nature and Determinants of Customer Expectations of Service



At the extremes we have intolerable and exceeding. It's fairly obvious that we want to avoid intolerable at all costs. Exceeding, on the other hand, is an interesting paradox and must be handled with care. From time to time exceeding a customer's expectations can be a good thing, but as a business strategy it is alluring but unsustainable. If a business said that they would always aim to exceed a customer's expectations they have unknowingly created a new expectation that a customer will expect their expectations to be exceeded. It's a bit of circular logic but illustrates the fact that expectations can't be handled simply.

### Expectations evolve over time

Expectations are far from static and evolve in response to many different stimuli. They can rise in response to being met just as easily as they can fall or remain the same when they are unmet. Our goal here isn't to predict how they will evolve, but rather to acknowledge that this is the case so we can better understand, measure, and respond in kind.



*The evolving nature of expectations reveals how over time a product or service that was once desired can become adequate or intolerable. Additionally, that which is considered tolerable evolves as well, putting pressure on brands to continually assess what will satisfy their customers.*

Think about flying 25 years ago. Checking in to your flight required you to queue and have an interaction with another human being. This might have even been an enjoyable experience. Jump forward 10-15 years. Now human interaction is optional. A self-operated kiosk delivers your ticket and perhaps saves you some time. You might not hate having to talk to someone at a desk, but it's not desirable. Jump forward another 10 years and the check-in process happens on your mobile phone prior to your arrival at the airport. The kiosk seems antiquated and the idea of queueing for your ticket is nauseating. Expectations evolved.

Technology has only served to accelerate this reality. If we were to try to apply Moore's law, the idea that computing power doubles every 18 months, we might assume that technology is causing expectations to change at a similar pace. Sadly though, this looks to be a best-case scenario. Expectations can change in an instant. So if we're not actively measuring them, how do we truly know what they are or how they're changing?

### Beware of incremental improvement

All businesses have some sort of roadmap for their products and services. Often these roadmaps are heavily influenced by the competitive landscape. The logic is simple; if our competitors offer a feature that we don't then we need to implement that to satisfy customer expectations. Perhaps.

This isn't an argument for abandoning incremental improvements, which can be a very effective way of remedying troughs in a customer experience. Incremental improvements are not largely innovative nor do they guarantee any peaks in the journey.

Think back to the Peak-end rule and remember that magnitude matters. For the impact of a feature to be noticeable, i.e. affect customer perceptions, it needs to create a peak tall enough to drive the overall experience towards positive. So it demands the question; is an incremental approach enough to impact the customer experience?



*If we overlay our expectations model with the Peak-end rule, we can see how there is the potential for incremental improvement to yield no net impact.*

What this suggests is that roadmaps could be heavily optimised by taking expectations into account. Clearly there will be feasibility or complexity constraints that could prevent the frequent introduction of non-incremental improvements, but those should be weighed against business needs and the potential customer impact. What may emerge is a clear argument for a different approach that retasks resources towards the more impactful.

## Expectations are predictably irrational

As much as we can hope to structure and understand expectations, we must also admit that there is much irrationality involved as well. Humans have a unique ability to construct narratives and come to believe these to be truth. Following this logic, expectations play a powerful role in helping us believe:

*"We all want explanations for why we behave as we do and for the ways the world around us functions. Even when our feeble explanations have little to do with reality. We're storytelling creatures by nature, and we tell ourselves story after story until we come up with an explanation that we like and that sounds reasonable enough to believe. And when the story portrays us in a more glowing and positive light, so much the better."<sup>5</sup>*

**Dan Ariely**

Dan Ariely spends much of his work musing on the fact that humans are passengers to their mental and physical tendencies, all the while believing that they are in the driver's seat.

In a different context we've known about this phenomenon for a long time, placebos in medicine. We can convince ourselves that a medical treatment is effective in spite of it being benign. Ariely has also shown us that this same dynamic can affect the choices we make about what we like and subsequently the products we buy.

<sup>5</sup>Dan Ariely, *The Honest Truth About Dishonesty: How We Lie to Everyone--Especially Ourselves*

## The Beer Experiment

When it comes to understanding how expectations manifest in this seemingly irrational fashion, Ariely conducts a simple but powerful experiment that brings to light a new observation. Expectations are not just psychological, they have the power to change our physiology as well.



*To understand the power of expectations Ariely does an experiment involving two groups of people. In the first group he presents the participants with two cups of beer, one that is ordinary beer and the other that is beer with balsamic vinegar. When asked to pick their favourite, nearly 90% of participants choose, the beer with balsamic vinegar. In the other group, people are presented with the same two cups of beer, but are told that one is ordinary beer and that the other has balsamic vinegar in it. They are then asked to pick a favourite. 100% chose the ordinary beer. They expected the beer with balsamic vinegar to be disgusting and this expectation changed the taste of the beer. Expectations altered their physiology.*

OgilvyOne

## 3. Impact

### Experience - Expectation = Impact

The communications, service, and innovations we produce to sell and differentiate our product.

The preconception that exists in consumers' minds, set by our communications, consumers' past experiences, and various other factors.

Our desired outcome: satisfaction, loyalty, or otherwise.

The final piece of the equation is where the benefit of all of this knowledge comes into focus. Armed with a better understanding of the dynamics that drive our “experiencing self” and our expectations, we should be able to more effectively drive bottom line impact.

### To raise, maintain, or lower?

When was the last time that you saw a piece of marketing purposefully designed to lower expectations? This isn't to say that they don't exist, but it seems to be that the standard approach in marketing is for communications to raise expectations, knowingly or unknowingly.



*An example of a communication, from a mobile provider in the U.S., that raises expectations, inevitably creating the opportunity for consumer dissatisfaction when this promise is not met.*

Raising expectations isn't a bad thing, when they can be met or exceeded consistently. Little time needs to be devoted to this subject as it's something we're generally good at. We have a new product or service with some remarkable benefits. Proudly we tell the world about it. Expectations rise and hopefully the experience matches with the picture communications have painted. When it comes to the raising of expectations, perhaps the best thing to do is to question why and how. Doing so may lead to the realisation that lowering or maintaining is the best course of action.



OUR  
STANDARDS  
BEAT THEIR  
EXTRAS.

Unlimited brand-name snacks and soft drinks.  
Fly now at [jetblue.com](http://jetblue.com)

YOU ABOVE ALL™  
**jetBlue**

*For jetBlue, free snacks and soft drinks are standard. In a category that constantly sees the customer experience eroded to drive profit, jetBlue can maintain customer expectations and will benefit as expectations of other airlines drop.*

Sometimes there is nothing wrong with the status quo. There is a benefit to understanding when a customer's expectations of you are not changing. In some cases, this presents an opportunity especially if customer expectations can be used to highlight a contrast in the market, as jetBlue does above.

Alternatively, rather than communicate a new product feature, what would happen if that feature was released with little or no fanfare? Following from our previous logic, if the quality of the product experience increases while expectations remain the same, we should see an impact.



What  
burgers  
have  
taught  
us.

The problem we've had with some of our meat lately is about more than burgers and bolognese. It's about some of the ways we get meat to your dinner table. It's about the whole food industry. And it has made us realise, we really do need to make it better. We've been working on it, but we need to keep going, go further, move quicker. We know that our supply chain is too complicated. So we're making it simpler. We know that the more we work with British farmers the better. We've already made sure that all our beef is from the UK and Ireland. And now we're moving on to our fresh chickens. By July, they'll all be from UK farms too. No exceptions. For farmers to do what they do best, they need to know they've got our support. We know this because of the work we've been doing with our dairy farmers to make sure they always get paid above the market price. We know that, no matter what you spend, everyone deserves to eat well. We know that all this will only work if we are open about what we do. And if you're not happy, tell us. Seriously. This is it. We are changing.

**TESCO**

For any thing you want to know, go to [www.tescofoodnews.com](http://www.tescofoodnews.com) or call us on 0800 50 5515.  
Twitter: @tesco Facebook: facebook.com/tesco

*Sometimes, lowering expectations is necessary especially during times of transition or change. This is the technique Tesco is using in this communication.*

Lastly, we come to the lowering of expectations. Admittedly, lowering expectations feels counter-intuitive. Something about it seems to imply disappointing customers but this is hardly the case. Lowering expectations can be a very effective tool assuming it is used strategically and that the creative manifestation is smart.

## Expectations don't respect silos

One of the challenges that larger organisations face when it comes to implementing expectations management is the disconnect between the product or service arm of the business and the marketing arm. A by-product of this disconnect is that product or service improvements are made and then communicated about. This inevitably raises expectations. But it also takes tools away from the organisation when it comes to driving overall impact.

This also points to a larger observation about marketing in the age of customer experience; it isn't solely about promotion. The marketer who is empowered to drive the overall customer experience must balance experience and communications, flexing the right tool at the right time for the right reasons.

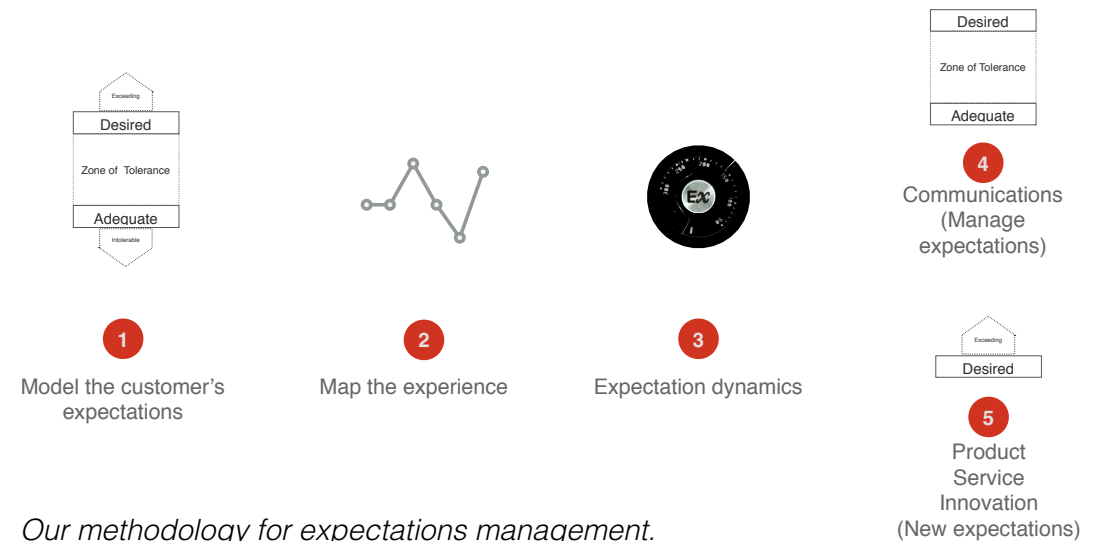
And if we want to have more dynamic control over the relationship between product or service, communications and how expectations drive impact, we need to break down silos and have a more fluid relationship within our organisations. This allows techniques like lowering expectations or letting a product experience deliver a brand promise rather than a communication about it.

As you venture to take some of the learnings from this paper and apply them to your business, looking beyond communications at organisational dynamics may reveal opportunities to improve effectiveness by bringing functions within the business closer together.

OgilvyOne

# 4. A methodology for managing expectations

Our journey with exploration has taken us from the theoretical to the slightly more pragmatic. Now it's time to ground all of this thinking in something relatively simple and practical, in this case a 5-step methodology.

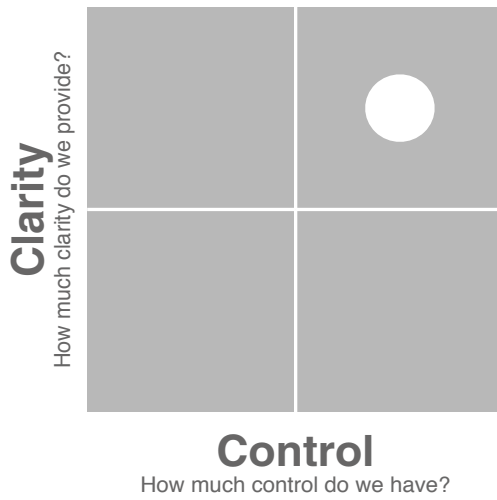


## 1. Model customer expectations

There are many ways to go about modelling customer expectations, both qualitative and quantitative. Admittedly, the qualitative are easier to implement. Looking at your customer research may reveal that you already have data that can be used to form a picture of customer expectations. In other cases you may need to evolve the questions that are asked to better gauge what your customers expect. One thing that we've noticed is that traditional research doesn't always yield the most accurate view of expectations. The closer that you can get to the actual moment, i.e. in the customer journey, the more accurate the response will be.

On the quantitative side, it's equally interesting and challenging. We know that people express their expectations in the decisions they make and their subsequent levels of satisfaction. Can this be identified in raw data? When people abandon an online shopping cart, is there a link between their expectations and the experience? What does the time between an adverse service event and a customer complaint in social media tell us? We have some interesting questions and initial hypotheses and the pursuit of answers is already beginning to show that there may be ways of quantifying expectations.

### The clarity / control spectrum



*Two models that can be used to qualify and quantify expectations. When these models are completed at each touchpoint of a customer journey, it is often immediately clear where opportunities or deficits exist in communications.*

### Quantification of expectations

Is there an absence of rationale informing expectations?

Low	Medium	High
-----	--------	------

Is there noise in the market, confusing expectations?

Low	Medium	High
-----	--------	------

Are customers forming expectations by inference?

Low	Medium	High
-----	--------	------

## 2. Map the experience

Once you have some measure of your customer expectations, mapping them against the customer journey is relatively straightforward. Much can be gleaned from this exercise. What frequently becomes apparent is that our marketing efforts are misaligned with opportunities relative to our customers' expectations. Frequently we see marketers putting no focus on areas with extremely low customer expectations. Our model would suggest that these points have the largest potential to drive a measurable impact.

## 3. Expectation dynamics

Do we raise, maintain, or lower expectations? It's a seemingly simple question, but needs careful consideration. Having a fuller view of expectations across the full customer journey allows us to decide what to do when, understanding that the by-product of a lowered expectation at one stage might mean that we need to over-deliver on experience at another stage.

In the same way that expectations change over time, so must our strategies. Expectation dynamics are just that, dynamic. This is meant to be an ongoing and iterative process that informs and helps drive the final two stages of this methodology.

## 4. Role for communications

With all of this well in hand, it should be clear what we intend to communicate. We see communications as an expectations management tool. When used knowingly, we should be able to actively shift customer expectations to drive business impact. But as we've discussed previously, this isn't just a communications job.

## 5. Role for product, service, and innovation

Expectations should also inform the products, services, and innovations we produce. Yes, communications can be used to manage expectations in the near-term and do so effectively. But when our businesses react to expectations in the same way communications do, then marketers will have significantly more leverage and tools to drive effectiveness.



# Conclusion

## In summary

We hope that this exploration has shown the value that expectations can have to the modern marketer. Some of the learnings in this paper are immediately actionable while others require more time and investment. Data needs to be curated. Processes need to evolve. Teams need to learn to leverage new tools.

## Don't expect it to happen overnight

The important thing to acknowledge is that we live in an even more dynamic world and while complexity seems to increase exponentially every day, we also have more tools than ever before. Expectations are one of these tools. By understanding and leveraging them we have the potential to create more effective communications and subsequently more effective businesses.

# Colophon

---

## *Colophon*

### **Writer**

*Jordan Berkowitz*

### **Editor**

*Jo Coombs*

### **Credit**

*Brian Jensen*

*Matt Watkinson*

### **Typeface**

*Helvetica*

### **Design**

*Kerry Horton*

*April 2014*

*The Red Papers are published  
by OgilvyOne*

*No article may be required or transmitted  
in any form without the written permission  
of the publisher.*

*Copyright © 2014  
OgilvyOne*

*Notes*

*Notes*

*Notes*

OgilvyOne