KOBRA

For: Customer Experience Strategists

«THE POWER OF EXPERIENCE IN THE AGE OF THE CUSTOMER»

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KEY TAKEAWAYS

KOBRA has analysed the preferences and perspectives of the Norwegian consumers and the influence this has on their relationships with these companies:

Norwegian brands deliver a poor customer experience

Both metrics used (NPS and CXi) indicate a poor level of experience with much room for improvement when it comes to creating experiences that match customer expectations.

Good experiences get rewarded. Bad experiences get punished. Harshly.

Like in 2010 we see that Norwegian promoters are extremely loyal and reward good experiences with an extreme longterm perspective. Unfortunately the opposite is also true - detractors are extremely critical and ready to punish bad experiences.

The current level of experience does not motivate a premium price

75% of Norwegian brands do not deliver a customer experience that customers are willing to pay a premium for.

High risk of churn

In the «Negative CX» group we see that 66% of the customers are ready to leave or change suppliers within a year. This represents 12% of the total customer base at risk. The industries with the worst risk of “churn” is Telecom and Travel.

Younger customers are hard to impress, but more likely to reward good experiences

The 30-39 age group has the lowest NPS score with -14 (as compared to +7 in the 50+ age group) but the older customers are much less likely to reward good experiences with higher volume than “younger” customers.

«THE POWER OF EXPERIENCE IN THE AGE OF THE CUSTOMER»

Research report on how Norwegian consumers evaluate the customer experience in the Norwegian market.

WHY READ THIS REPORT

Since 2010 KOBRA has been doing research in the Norwegian market to get a clear picture on how Norwegians are affected by their customer experience. This current study show that «The Power of Experience» is as strong as ever and that the consumer is becoming more enabled and more demanding with every tick of the clock. We are truly in the era of the customer.

By reading this report you will gain insight into key preferences and perspectives of Norwegian consumers and how the experiences influence the relationships they have with companies. On the basis of these findings we have summarized 7 key recommendations for you to consider in your day to day customer experience work.

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MAIN FINDINGS

KEY TAKEAWAYS FROM THE 2015 NORWEGIAN CONSUMER SURVEY

Generally low scores for NPS and customer experience score (CXi)

With an average Net Promoter Score (NPS) of 2 and a customer experience score (CXi) of 62 there is much room for improvement for Norwegian businesses when it comes to creating a customer experience that the customers wants to recommend.

Low CXi scores compared to companies in the US

When benchmarking the result on the customer experience index score for several Norwegian industries to the same industries in the US, it shows that Norwegian customers rates the Norwegian companies lower. 'Banking' is at the same level in both countries but for 'Telecom' and 'Television' the scores of Norwegian companies are much lower than for the US.

Leaders and laggers

The NPS as well as the result on CXi (Customer experience index) varies widely across industries. 'Travel' take the top spot for NPS with a NPS of 20 and 'Telecom' are at the bottom with a NPS of - 25. 'Telecom' have the greatest percentage of Detractors with a massive 49% closely followed by 'Power and Electricity' with 48% Detractors.

It is natural to have great variations between industries for NPS. We do however also see that the 'Travel' industry is one of the better industries when looking at the CXi (Customer Experience index) just as 'Telecom' is at the bottom for CXi, so both measurements we have used points in the same direction. 'Estate agents' is the industry with the highest score for CXi (86) followed by 'Car sales and service' with a CXi score of 82. 'Telecom', 'Television' and 'Power and electricity' have the lowest CXi scores (47) and these were the three industries that also were the bottom three for Net Promoter Score.

Younger customers are harder to impress but are more likely to reward you for a great customer experience

The respondents in the age group of 30-39 have lowest level of NPS with – 14 while NPS is highest in the group of respondents that are 50 + (NPS= 7). Looking at the CXi customers under 40 we see that they are are much less satisfied with the level of customer experience than customers that are 50 yrs or older.

Customers that are 50 yrs or older are much more reluctant than younger customers to increase the volumes they buy even if they get a customer experience that exceeds their expectations.

Promoters are willing to pay more and stay longer

A great customer experience creates Promoters and Promoters are extremely loyal. Detractors on the other hand are not very loyal. Almost 40% of Detractors would end the relationship rather quickly (within a year). A company that delivers a good customer experience can charge more and if the customer experience is bad the customers are willing to pay less.

Creating Promoter and Detractors

Many customers have commented that they would like to see the company offer lower prices. Faster and better service is also a common request.

Deliver in line with company values, deliver as promised, and that it is easy to be a customer is important to all customers. Promoters are generally harder to please since they put more weight on all the aspects compared to Passives and Detractors.

From the comments we see that the willingness to recommend for Promoters often is a result of how the customer is treated and the level of service they get in general.

Detractors on the other hand highlight incidents or errors in the way the service is delivered, underlining a critical need for a good plan for service recovery.

Delivering a customer experience above expectations increases sales volumes

If the customers receive a customer experience that is better than expected, 52% of the customers would possibly increase their yearly purchases from that company. Promoters are more willing than Detractors to buy bigger volumes as a result of a customer experience that exceeds their expectations.

The current level of customer experience of does not motivate a premium in price

75% of the Norwegian companies do not deliver a customer experience that customers are willing to pay a premium for (compared to competing businesses). Customers are most willing to pay a premium in 'Car dealers and service' and 'Retail' categories. The customers are least willing to pay a premium for the level of customer experience in the industries of 'Power and electricity' and in 'Telecom'.

High risk of churn

66% of the customers that we classify as having "Negative CX" said they would leave or change supplier within a year. 12% of the total customer base of average Norwegian companies are at risk of leaving them within a year. 'Telecom' and 'Travel' are the two industries that would see the highest churn rate if they don´t deliver a good customer experience.

RECOMMENDATIONS

KOBRA RECOMMENDATIONS

Keep your promises and deliver as promised

The brand, values and marketing is a promise to the customer of what the company will give them. These promises must be kept. Take responsibility for the entire ecosystem around the experience and focus on the components that create visible customer value.

At the same time companies must have a clear focus on «delivering the goods». Any promise that is not fulfilled will make the customer feel cheated or misled.

Don't just meet expectations

Our study shows that customers are willing to buy more as a result of a customer experience that is better than the customer expected. If a company want to grow its share of wallet, the company must look beyond customer expectations.

To truly deliver a customer experience so that customers are willing to pay a premium, we need to go beyond customer expectations and design a customer experience that both surprises and delights the customers. By adressing both the customer needs and goals, you can find ways to deliver more value so that the customer feels you are there for them.

Make it easy to be a customer

The importance of making it easy to be a customer can not be overstated. Advances in product and service design have made customers accustomed to high quality services that are easy to use. In addition, the increasing flow of information, and shorter attention span have made customers impatient and easily irritated if things don´t go smoothly.

A good example of how a service have made much easier to use is banking. Banks have radically transformed the way customers can do their everyday banking. Not too long ago the customer had to walk into the bank during the banks' (limited) opening hours (maybe sacrificing your lunch or taking time off from work). Now it is the norm to be able to check your balance, pay your bills etc. using an app in your smart phone or online. These developements increase the pressure on every industry to look at their services and be prepared to routinely redesign each service and each touchpoint at a regular basis.

Align the customer experience with your brand signature

In order to create a truly great customer experience, we recommend that the experience is designed and delivered in a way that is in-line with the brand signature. Our survey results makes it clear that it is important that companies must deliver a customer experience that is in line with the values of the company. Having strong values that the customers can pick up on is often a good way to stand out and to create a compelling brand. By confirming the values and your signature in the customer experience throughout the customer journey and in a way that also engages the customer emotionally, you have a greater possibility of building relationship and loyalty.

Prepare for the worst

Many of the respondents have pointed out in their comments that there have been some sort of incident that have had a significant negative impact on the customer experience. Even the companies that generally deliver an exceptionally good customer experience will from time to time make a mistake. Problems will always occur, this is inevitable. But a single incident does not have to be the end of the relationship if the company deals with the problem in way that satisfies the customer.

Many customers won´t tell a company that they are unhappy, they will simply leave without explanation. So in order to identify customers that have had or are having a bad customer experience, companies should develop and perform an effective process for identifying unhappy customers. This can be done with regular tools like surveys, scanning of social media and other engagement tools.

It is also important to encourage customers to come forward and tell you if they are unhappy. Companies must design and implement a process for complaint handling and service recovery. This will significantly increase the chance to save the customer relationship as well as limit the damage of negative word or mouth.

Engage with the customer and be engaged in the customer

Some industries like 'Telecom', 'Power and electricity' and 'Television' offers commodities - the type of service that is "just there", services that customers expect to work every time. In some industries there are hardly any human interaction between the customer and the company´s employees unless it is in the form of a sales call or a customer service call when something is wrong. In industries offering commodities the service that is performed is hardly enough to create a great customer experience that impress the customer. By engaging systematically with the customer and focusing on building a relationship that extends beyond basics, companies will be able to create a customer experience that have build a stronger bond to their customers.

Don't leave it to chance

Don't leave the customer experience to chance or expect that your company consistently will deliver a great customer experience just because you have faith in your excellent staff. Great customer experience don´t just happen. A consistently great customer experience is in the details: planned, designed, executed, monitored and measured. And then, to keep in front of competitors, the customer experience must be improved upon again, again and again.

Based on the findings in this report we believe that these are the seven most important actions for improving the customer experience and profiting by transforming Dectractors and Neutrals to Promoters.

ABOUT THE SURVEY

CUSTOMER PANEL, DATA COLLECTION

Data collection in cooperation with Norstat

The data collection for this research report is in cooperation with Norstat.

In december 2014 a total of 1000 responds was collected from a web panel.

Target Group P18+, distributed on gender, age and geography.

METHODOLOGY

NET PROMOTOR SCORE

We have measured Net Promoter Score – NPS in order to see how good Norwegian companies are when it comes to delivering a customer experience that creates positive word of mouth and ambassadors among their customers.

The Net Promoter Score is measured by asking the question: ”How likely is it that you would recommend [your company] to a friend or colleague?”

The scale is from 1 = «Not at all likely» to 10 = «Very likely». The respondents are then grouped in three groups depending on the grade they give. NPS is then calculated by subtracting the percentage of Detractors (grade 1-6) from the percentage of Promoters (grade 9-10).

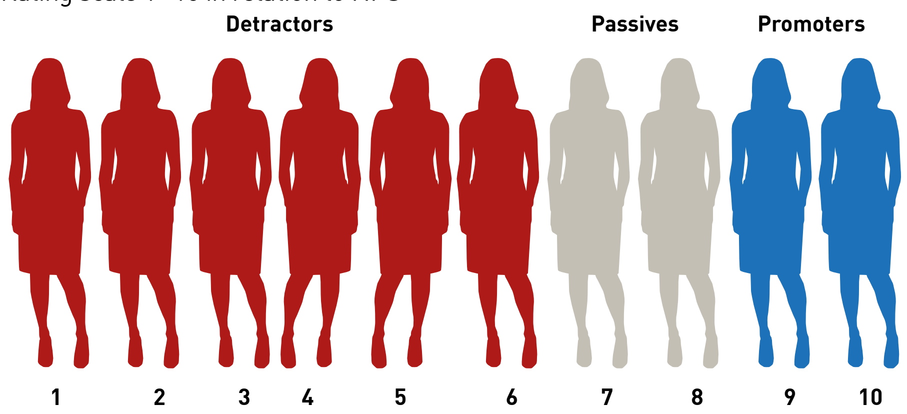
Promoters - Those that give a grade of 9- 10.
Promoters are the customers who brag to others about how good a company is. Customers that feel that the company or product is so good that the customer put their faith in the company to deliver a great customer experience not only to them self but also to others.

Passives - Those that give a grade of 7-8.
Passives are customers that are quite happy with the company, but not happy or engaged enough to be considered ambassadors and actively promote the company. Passives can potentially be swayed to a competitor.

Detractors - Those that give a grade of 1-6*.
Detractors are customers that are not likely to recommend the company and also potentially would spread negative word of mouth. They are easy targets for a competitor.

In this survey a scale of 1-10 (ten points) was used instead of the scale of 0- 10 (eleven point).

Figure 1 Rating scale 1- 10 in relation to NPS



The respondents that would have answered a grade of zero using the 0- 10 scale originally used for NPS would without a doubt still give a grade of 1-6, therefor they would still be a detractor so the scale of 1-10 gives the same NPS result as a scale of 0-10.

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FINDINGS

NET PROMOTER SCORE – AVERAGE NORWEGIAN COMPANIES

The average NPS value from our survey is 2. This is generally considered a poor result so there is much room for improvement for Norwegian businesses.

The average NPS result in this report is based on the respondent´s opinions regarding a wide range of different types of industries and companies (but each respondent have rated a single company). The Net Promoter Score is heavily influenced by the type of business industry that is measured, so this national average NPS can´t really be used as a benchmark for a single industry or company.

Figure 2 Average NPS for Norwegian companies

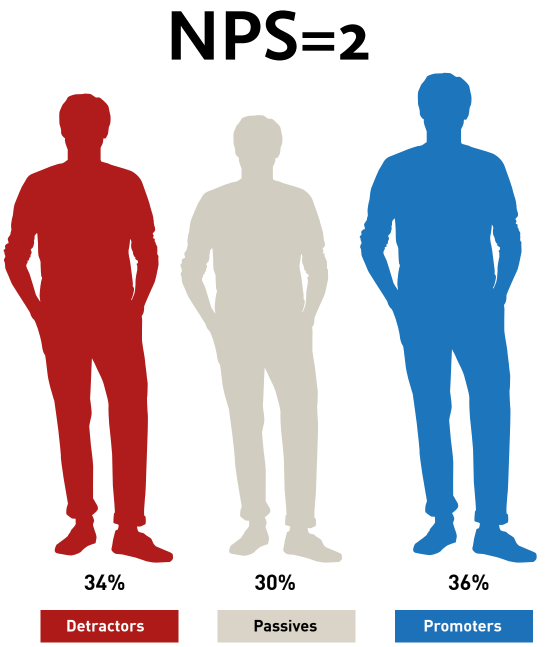
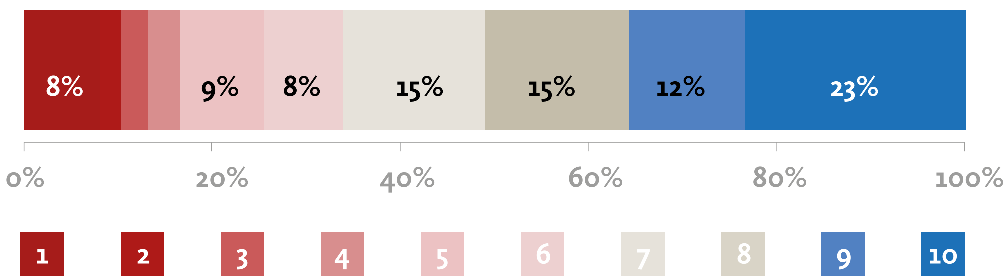


Figure 3 Frequency distribution for the question "How likely is it that you would recommend this company to a friend or colleague". Mean =7



Comments from Detractors and Promoters

Comments from Detractors

In the comments from Detractors we see that the company they have rated in many instances have made some sort of human error that created a really bad customer experience. But we also see some comments related to image and the overall management and product or service.

«Because it is an un-trustworthy crappy company that don´t keep their promises»

«Unbelievable bad customer service»

«Not willing to correct errors in their products»

«Severe delay. No information, no food or beverage for 6 hours. The trip was 12 hours longer. Got a food-ticket that didn´t get you what it said on the ticket. Hopeless»

«Extreme increase in price that can´t be justified. For me it was enough so I terminated.»

Comments from Promoters

The Promoters mainly mention good service and good treatment of them as customers as the reason for being willing to recommend the company. For Retail we also see many comments related to good prices, proximity and the store´s selection of products.

«Good customer treatment and a super app for online banking services»

«They have a greater customer focus compare to other banks I have been with. Competent advisor»

«They take total responsibility my journey. They get me to where I´m going and makes sure that my connection waits if there is a delay. I can choose price and service level»

«Good customer service and very good understanding of my problems. They give that little extra to keep the customer»

What companies can do better according to the customers

Respondents that gave grade 5-7 on the NPS-question were asked to tell us how they think that the company the customer rated can improve itself.

Of those that had an opinion of some sort 20% would like to see better prices. This was the single most common suggestion. Besides lower price other common suggestions is better service, better information, better opening hours and faster service. For retail we also see comments suggesting a better selection specifically of fruit and vegetables.

Improvement opportunities according to neutrals

«The price-level is to high»

«Easier website»

«Better prices»

«Telecom companies must compete on price, the rest is very similar»

«Better information online»

«Know more about their own product»

«Keep what they promise»

«Better customer service»

«Better self-service solution»

«Make ordering online easier»

«More competent employees»

«Longer opening hours»

«Shorter waiting time to talk to them on the phone»

«Less fees»

«Newer planes»

Net Promoter Score – Results by industry

As mentioned previously NPS is based on the question " How likely is it that you would recommend [this company] to a friend or colleague?"

The question contributes to creating different scores between industries as some goods or services are more engaging and are more talked about than others. This mean that a difference in NPS between industries is not just a result of how the companies in those industries perform in terms of the customer experience they deliver. But, that being said, we still think that a comparison between industries is interesting as positive word of mouth is of value for most industries.

The Net Promoter Score varies greatly across the industries in our survey, from 'Travel' with a NPS of 20, to 'Telecom' at the bottom with a NPS of - 25.

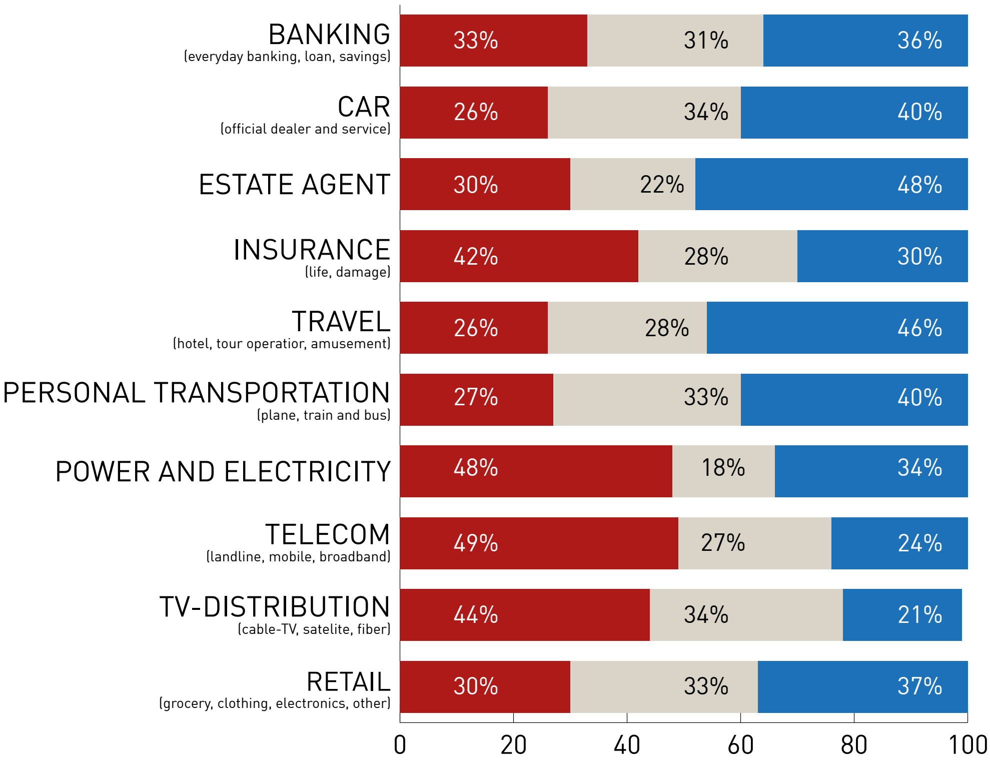
Looking more closely at the results we can also see that the 'Estate agents' have the highest percentage of Promoters.

'Telecom' have the greatest percentage of Detractors with a massive 49%. 'Telecom' is followed by 'Power and electricity' with 48% Detractors. The NPS score for 'Power and electricity' is however not as low as for 'Telecom' as the percentage of Promoters is higher (34%) for 'Power and electricity'. 'Car sales and service' and 'Travel' are the industries with the lowest level of Detractors.

From the comments we can see that Detractors that have rated a company in Telecom think that their operator is expensive or that the customer have received poor customer service. We also see some negative incidents regarding billing and some have issues with poor coverage. As one respondent commented on a telecom company:

> *«They brag about great development in 4G but we are lucky if we even can get a signal and have coverage for a full conversation»*

Figure 4 NPS results and NPS rank by industry. Due to rounding the numbers may not add up til 100



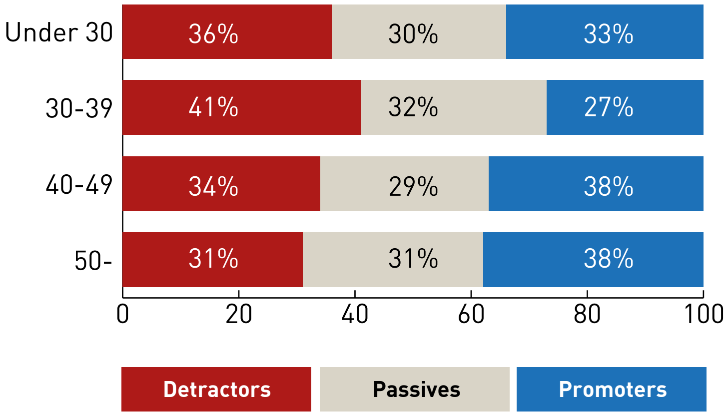
NPS	Rank
3	6
14	3
18	2
-12	7
20	1
13	4
-14	8
-25	10
-23	9
7	5

Net Promoter Score – Results by age groups

The NPS level varies by age, we can see that the respondents in the age group of 30-39 have lowest level of NPS with – 14. In this age group we also see both the highest level of Detractors as well as the lowest level of Promoters. The level of NPS is highest in the group of respondents that are 50 +.

As NPS varies by industry we have checked if there is variations in the industries that have been rated by the age groups but there only minor differences.

Figure 5 NPS depending on the age of the customers. Due to rounding the numbers may not add up til 100



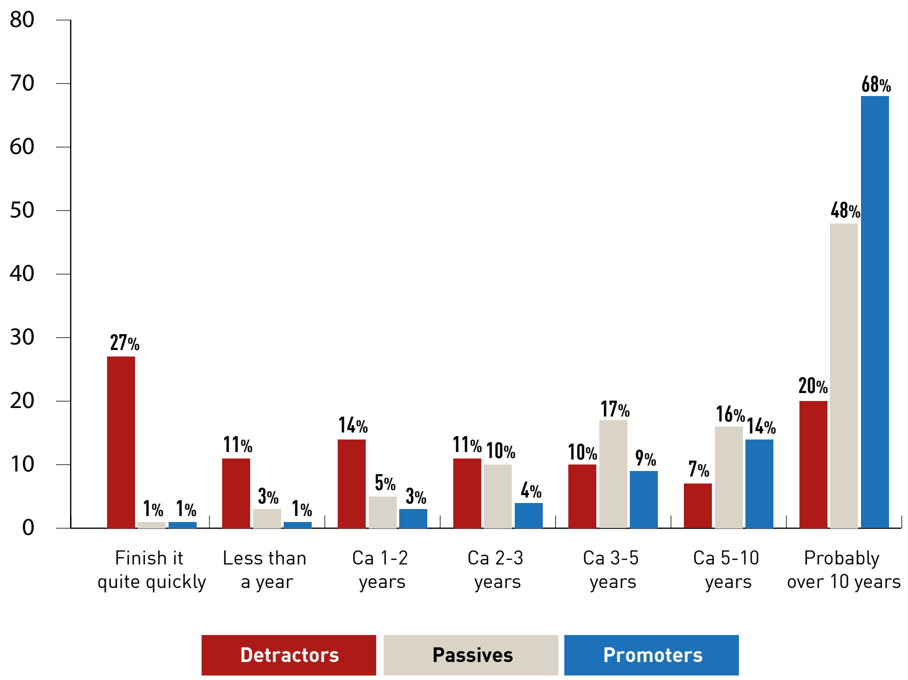
WHAT IT MEANS

GOING BEYOND THE NUMBERS

A good customer experience creates loyal customers

Promoters are extremely loyal. 82% of the Promoters say they would stay over five years and for the most part (68%) Promoters would stay for over 10 years. Detractors on the other hand are not very loyal (there are exceptions) as we can see that 38% of Detractors would end the relationship or turn to a competitor for their future purchases rather quickly (within a year).

Figure 6 How long would the customers stay if the level of customer experience stays the same. Comparison between Detractors, Passives and Promoters



The current level of customer experience of does not motivate a premium in price

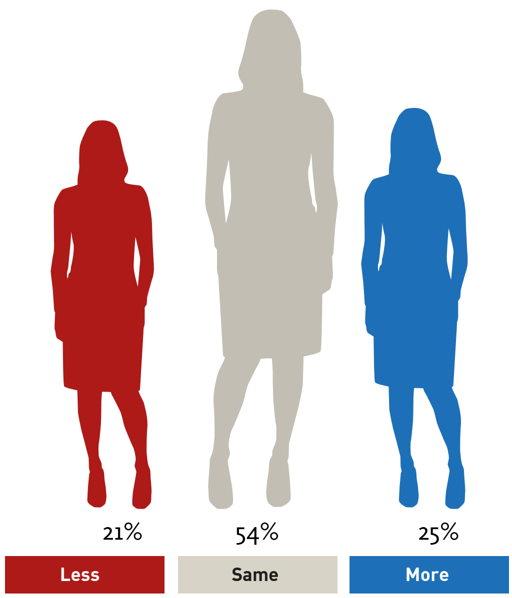
75% of the Norwegian companies do not deliver a customer experience that customers are willing to pay a premium price for (compared to competing businesses).

This is quite an alarming figure as, for most companies, their unique selling points should be built upon factors that are part of the customer experience. Some companies might compete mainly on price or by being the only viable option (based on location or other factors) but these situations are not the norm as most companies face fierce competition.

If the customer experience does not motivate a premium price compared to the competition, than there is not much incentive for the customers to increase or even keep the share of wallet they allocate to a company. The question we use to uncover willingness to pay is:

> *«When I think of what sort of customer experience I get at this company, it affects my willingness to pay, so that I´m willing to buy their goods and services if it costs: a bit less than their competitors, the same as their competitor or a bit more than their competitors»*

Figure 7 Proportion of Norwegian customers that would be willing to pay a premium price as a result of the current level of customer experience.



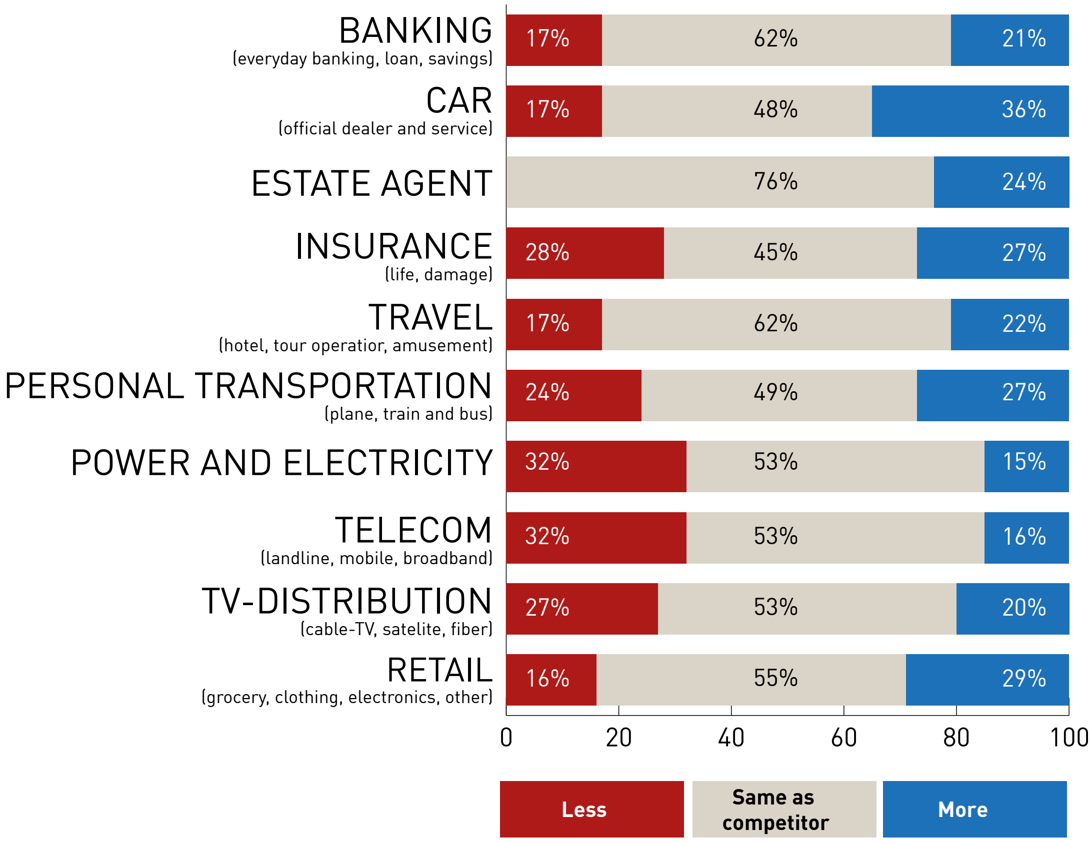
Willingness to pay a premium price for the current level of customer experience Results by industry

Thinking of the current level of customer experience, customers are most willing to pay a premium price to 'Car dealers and service' (36% would are willing to pay a premium price). In second place we see that 29% of 'Retail' customers are willing to pay a premium for the current level of customer experience the customers get at the store they rated.

Companies in industries of 'Power and electricity' and in 'Telecom' are the ones where the customers are the least willing to pay a premium price for the level of customer experience that the companies provide at the moment. 85% and 86% have answered that the company they are using in these two industries fail to deliver a customer experience that it is worth paying a premium price for (compared to competing businesses in the same industries).

For 'Power and electricity' and 'Telecom', and in other industries where the service the companies are offering is more or less exactly the same, it is hard to deliver a customer experience that motivates a premium price.

Figure 8 Proportion of Norwegian customers that would be willing to pay a premium price as a result of the current level of customer experience. Result by the industry. Due to rounding the numbers may not add up til 100

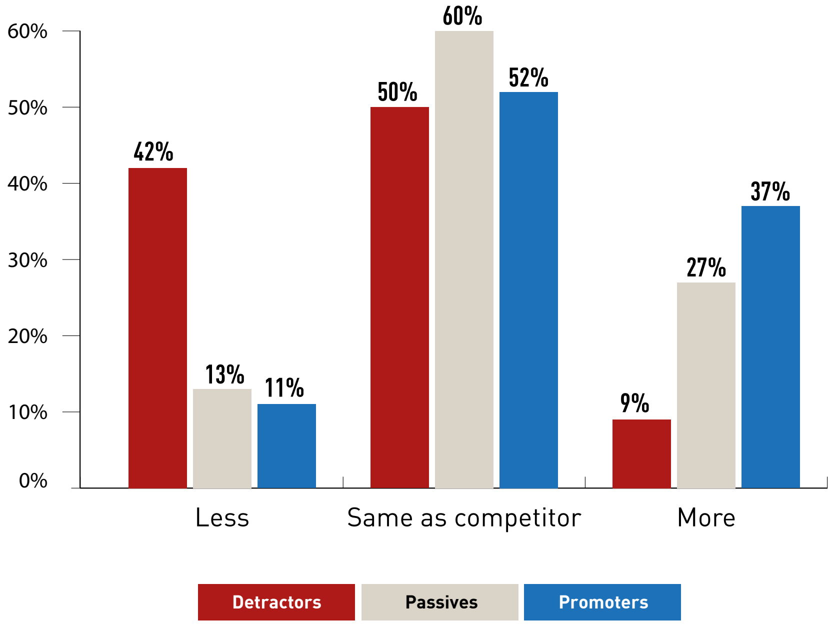


Customers are willing to pay more if they get a good customer experience

Customers that are happy with the level of customer experience they currently receive (Promoters) are much more willing to pay a premium price. A company that delivers a really good customer experience can charge more for their goods and services, but if the customer experience is below expectation the willingness to pay a premium disappears.

We also see that NPS and the results on the customer experience index (next page) correlates strongly.

Figure 9 Proportion of Norwegian customers that would be willing to pay a premium price as a result of the current level of customer experience. Comparison between Detractors, Passives and Promoters.



Promoters are hard to please

As we have seen in the results in previous pages, a great customer experience creates Promoters. Promoters are loyal, they are willing to pay a premium price for the level of customer experience they receive and they buy more. Promoters give companies money in the bank.

What´s important for the Promoters and is there any difference between Promoters and Detractors?

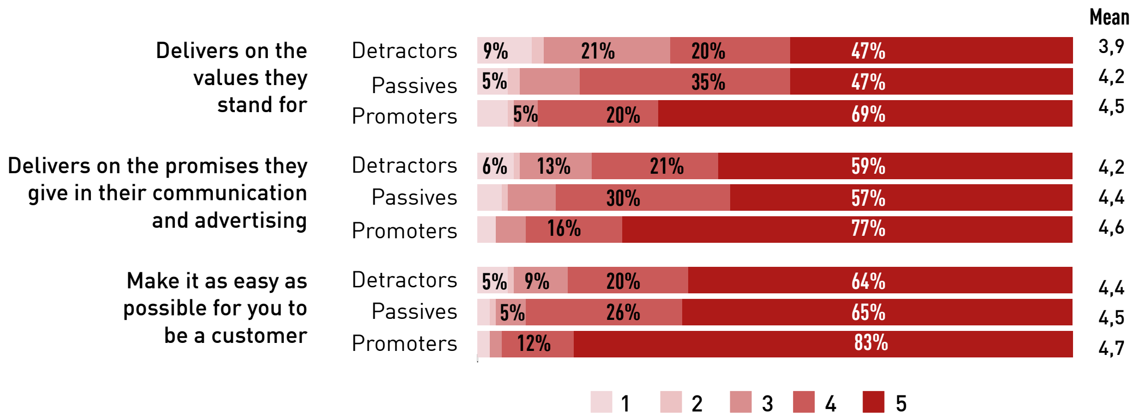
To discover the important differences we asked the respondents to rate three factors related to the customer experience. The most important factor (of the ones measured in our survey) is that it should be as easy as possible to be a customer. 95% of the Promoters say that this is important or very important (grade 4-5). In order to turn customers into Promoters companies have to make it easy to be a customer.

That the company delivers as promised and on the values that the company stands for is important to most of the customers but Promoters put more weight on all three questions compared to Detractors and Passives. The fact that Promoters put more weight on all three factors tells us that Promoters are harder to please than Passives and Detractors.

To get customers to remain loyal, pay a premium price, and increase spending (the things that Promoters are willing to do), companies must make a real effort into designing and delivering a customer experience that takes all these factors into account.

How important is it for you that this company: Scale 1-5, 1=No important at all, and 5=Very Important

Figure 10 Importance of delivering on values, delivering as promised and making it easy. Comparison between Detractors, Passives and Promoters.



METHODOLOGY

CUSTOMER EXPERIENCE INDEX

In order to measure the ability of Norwegian companies to deliver a good customer experience we have used Forrester Customer Experience Index (CXi). CXi capture how good the customer experience is from an overall perspective. The Customer Experience Index is measured by using three questions using a scale of 1-5.

> *How effective were they at meeting your needs? 1= Didn´t meet any of my needs 5= Met all of my needs*
>
> *How easy were they to do business with? 1= Very difficult 5= Very easy*
>
> *How enjoyable were they to do business with? 1= Not at all enjoyable 5= Very enjoyable*

The grades on these three questions are then grouped into three groups (we call these groups of Negative, Neutral and Positive). For each question a net score is calculated by taking the percentage of grade 4 and 5 (Positives), and subtracting the percentage of respondents giving grades 1-2 (Negatives).

We categorize the level depending on the total score a company or industry obtain. Forrester use the following categories.

> *CXi score of under 55 = Very poor*
>
> *CXi score of 55- 64 = Poor*
>
> *CXi score of 65- 74 = OK*
>
> *CXi score of 75 – 84 = Good*
>
> *CXi score of 85 or higher = Excellent*

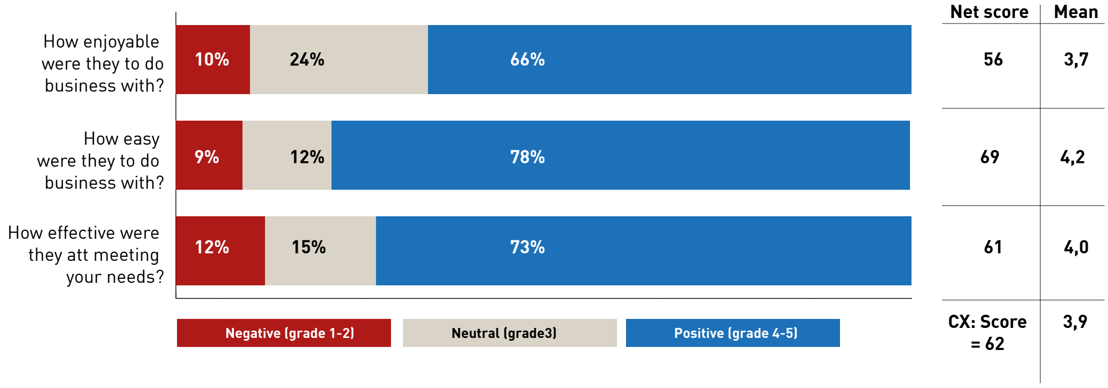
As the CXi score is based on the score from a group of customers and then calculated using the proportion of customers giving rating 1-2 and 4-5 the score and levels can’t be applied to a single customer. We at KOBRA believe the level that is required to reach each category is highly ambitious when comparing the score to mean values.

FINDINGS

CUSTOMER EXPERIENCE INDEX - AVERAGES FOR NORWEGIAN COMPANIES

The average Norwegian company delivers a poor customer experience. There is much room for improvement when it comes to delivering a good or great customer experience. A CXi Score of 62 shows us that there is much work to be done in order to improve the overall level of customer experience.

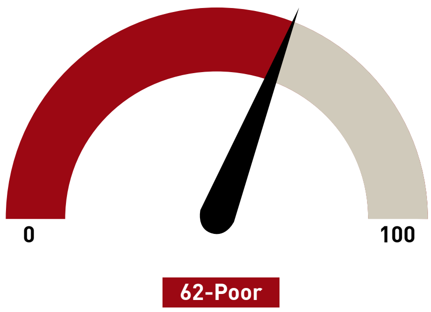
Figure 11 Customer experience index for the average Norwegian company



Average CXi score

The average net score of the percentage of Positives (grade 4-5) minus Negatives (grade 1-2) for the CXi questions results in the CXi score. Q1- Q3: ((66-10)+(78-9)+73-12)) /3 = 62.

Figure 12 Room for improvement



CXi Customer segments

The CXi customer segments represents a meaningful way of segmenting the customers into groups according to their average score on the three questions used for the CXi. The segments are distinct in terms of how each one relates to willingness to stay as a customer and to pay a premium price (from our survey data). This segmentation creates customer groups that have a clearer distinction between the groups than in NPS.

Each customer can be classified as Negative, Neutral or Positive (similar to the groups used in NPS) depending on the average grade the customer gives a company on the three CXi questions.

Figure 13 CXi segments –Calculation of what level of CX a customer is getting

Negative CX	Neutral CX	Positiv CX
Average grade 1 - 2,67	Average grade 2,68 - 3,99	Average grade 4 - 5

Customer Experience Index - Results by industry

Even if the average company delivers a poor customer experience there are some industries that are doing it rather well. 'Estate agents' is the industry with the highest score for CXi (86). 'Estate agents' is the only industry that have reached the level of Excellent for their score on the Customer Experience Index. 'Car sales and service' is close behind with a CXi score of 82.

At the very bottom we again have the three industries, 'Telecom', 'Television' and 'Power and electricity' that all have the same CXi Score of 47 (very poor). These are the three industries that also represents the bottom three for Net Promoter Score. The CXi score can be compared between industries with confidence.

Table 1 CXi score results and CXi rank by industry

Business industry	How enjoyable were they to do business with?	How easy were they to do business with?	How effective were they at meeting your needs?	CXi Score	Level of CX according to CXI score	Rank
Banking (every-day baking, loan, savings)	75	75	68	73	OK	4
Car (official dealer and service)	85	85	75	82	good	2
Estate agent (buying and selling real estate)	87	87	83	86	excellent	1
Insurance (life, damage)	64	64	55	61	poor	6
Travels (hotels, tour operators, culture and amusement)	80	80	77	79	good	3
Personal trans-portation (plane, train and bus)	63	63	56	61	poor	7
Power and electricity	50	50	40	47	very poor	9*
Telecom (land-line, mobile, broadband)	53	53	34	47	very poor	8*
TV- distribution (cable-TV, satel-lite, fiber)	47	47	48	47	very poor	10*
Retail (grocery, clothing, elec-tronics, other non-durables)	75	75	67	72	OK	5

Levels of CX: CXi score of under 55 = Very poor, CXi score of 55- 64 = Poor, CXi score of 65- 74 = OK, CXi score of 75 – 84 = Good, CXi score of 85 or higher = Excellent.

**If equal in CXi scores, we rank the industries by the highest net score on any of the three questions.*

Customer Experience Index – Norway vs. US

By benchmarking our results for the CXi Score to the scores Forrester found for the US market, we see that Norwegian companies in all comparable industries are performing well below the average companies in the US operating in the same industries. The CXi score is comparable between countries as the questions and scale used is not really culturally sensitive (unlike NPS).

In 'Banking' we see very little difference compared to international companies, whereas Norwegian companies in 'Telecom' and 'Television' perform particularly bad compared to their American counterparts. 'Telecom' and 'Television' are also the ones in the very bottom for NPS and CXI score in our survey. This comparison to the US results confirms that, in Norway, these industries are delivering a customer experience well below average.

Table 2 CXi score results and CXi rank by industry. Comparison between companies in Norway to companies in the US

Business industry	CXi Score Norway	CXi Score US	Difference in CXI score Norway vs. US
Banking (every-day baking, loan, savings)	73	75	-2
Insurance (life, damage)	61	74	-13
Telecom (land-line, mobile, broadband)	47	71*	-24
TV- distribution (cable-TV, satellite, fiber)	47	65	-18
Retail (grocery, clothing, elec-tronics, other non-durables)	72	83	-11

**US results only includes wireless services*

The CXi Score for the US were provided by Forrester Research in the report "The Customer Experience Index, 2014" (survey performed in Q4 2013).

Customer Experience Index – Results by age groups

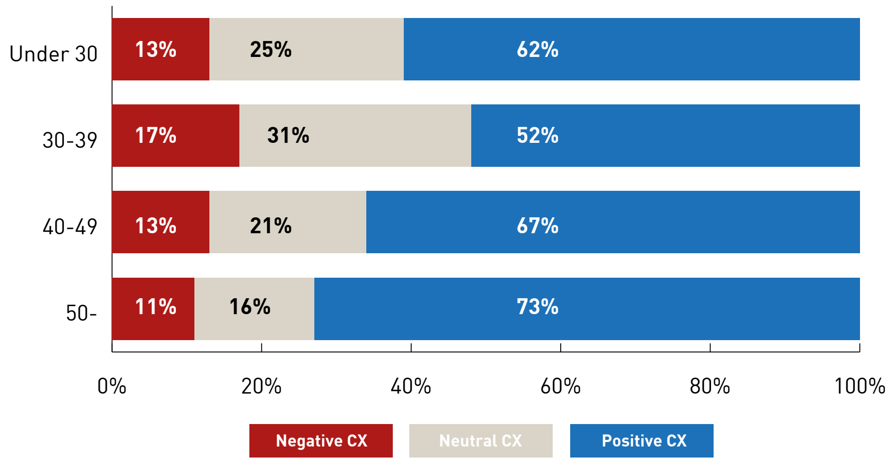
The "younger" customers (under 40) are again (just as for NPS) much less satisfied with the level of customer experience than customers that are 50 or older.

The percentage of respondents that we classify as having a positive customer experience is much higher in the age of 50 + than compared to customers that are younger (especially when compared to the ones younger than 40).

The respondents in age group 30-39 are the ones that have the absolute lowest percentage level of positive customer experience, and they also have the highest level of negative customer experience.

The reason for this might be that the younger customers think differently when judging the customer experience they receive. As a result of progress in services across industries younger people are more used to services and goods that are well planned and running smoothly. This creates a lower level of tolerance for weak experiences, resulting in lower levels of satisfaction.

Figure 14 Proportion of customers classified as being Negative, Neutral and Positive from our CXi customer segments. Red, gray and blue refer til grade 1-2, grade 3 and grade 4-5.

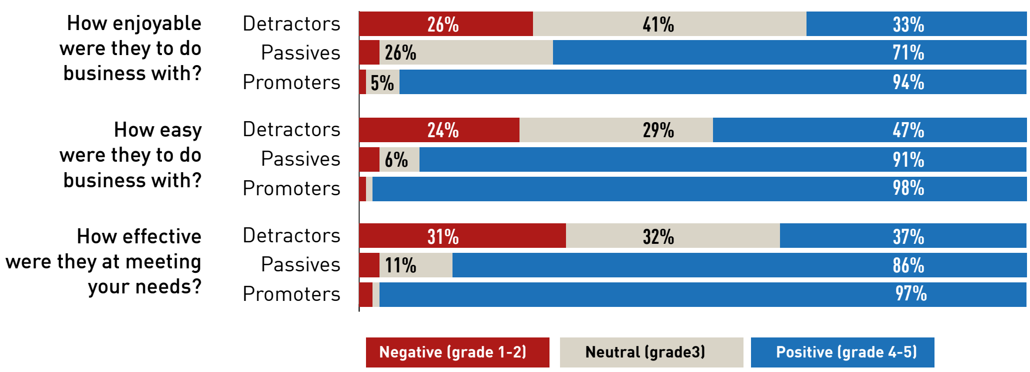


Customer Experience Index in relation to Detractors, Passives and Promoters

As one can see below the customers that are happy with the customer experience (according to the CXi) are also the ones that are Promoters. This tells us that if a company wants their customers to be Promoters on the behalf of the company or brand, it is vital that the customers get a great customer experience.

Compared to Passives and Promoters we see that a much larger portion of the Detractors have given a negative grade to the questions in the customer experience index. Not all customers that reported that they have a bad customer experience turn into Detractors, but it is evident that a bad customer experience leads to a lot more Detractors and fewer Promoters.

Figure 15 Comparison of CXi between Detractors, Passives and Promoters.



FINDINGS

THE EFFECT OF CUSTOMER EXPERIENCE ON SALES

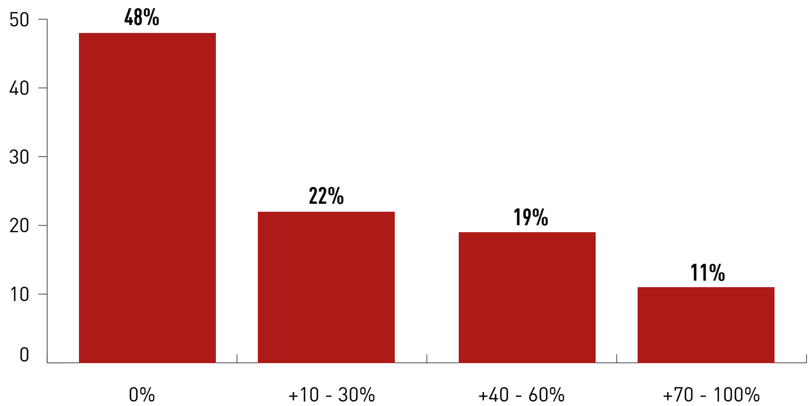
Delivering a customer experience above expectations increases sales

If the customers receive a customer experience that is better than expected, 52% of the customers say that they would increase their yearly purchases from that company. 30% of the customers would increase their yearly purchases by as much as 40-100%.

From this result, it is clear that it pays off to deliver a customer experience that is better than what the customers expects to get. If a company wants to grow its share of wallet, the company must look beyond the customer´s own expectations in order to deliver a customer experience that both surprises and delights the customers.

> *Think of a situation where this company would give you a customer experience that is better than you expected, how do you think your yearly purchases from this company would be effected?*

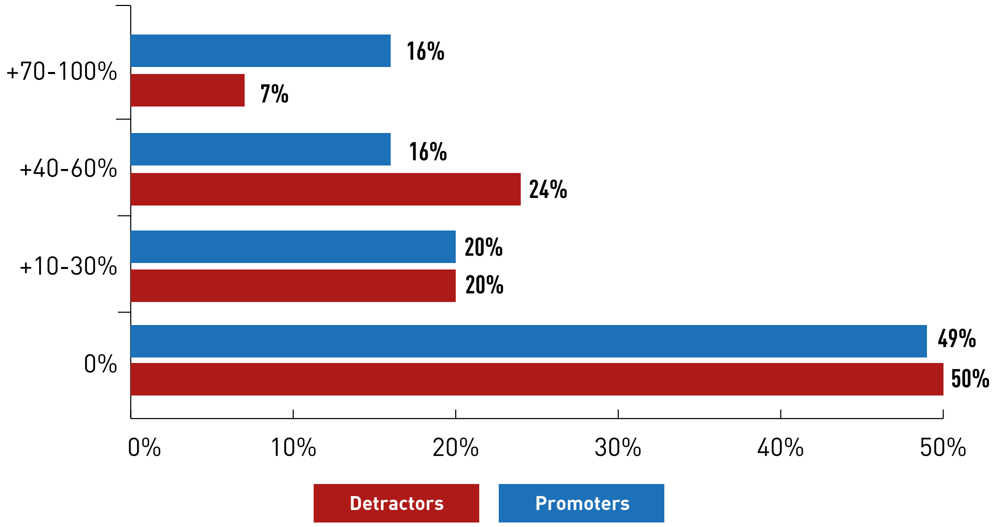
Figure 16 To what degree Norwegian customers would we willing to increase their yearly purchases as a result of a customer experience that is above expectations



Promoters are more willing than Detractors to buy more as a result of a customer experience that exceeds their expectations.

Both Detractors and Passives are willing to increase spending as a result of a customer experience that exceeds their expectations but not quite to the same level as Promoters. A larger portion of the Promoters are willing to increase their spending by 70% or more.

Figure 17 To what degree Norwegian customers would we willing to increase their yearly purchases as a result of a customer experience that is above expectations. Comparison between Detractors and Promoters

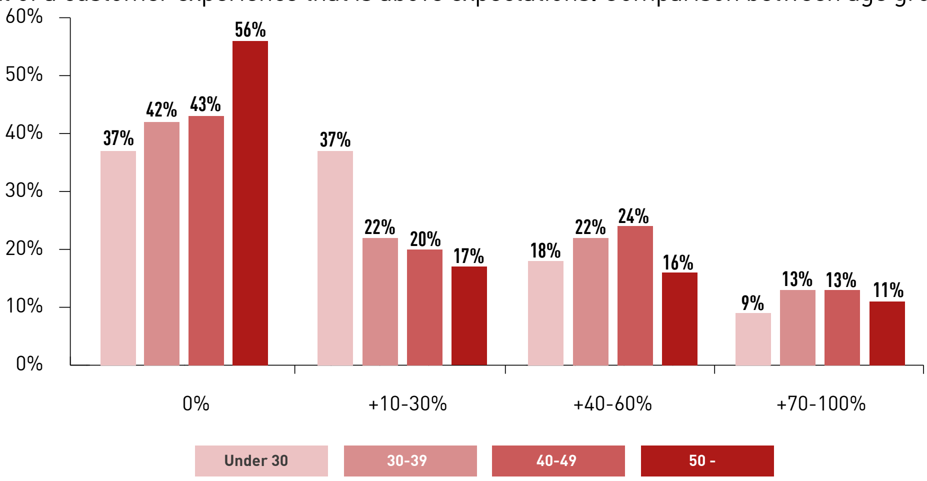


Delivering a customer experience above expectations increases sales volumes - Result by age groups

Customers that are 50 yrs or older are much more reluctant to increase the volumes they buy even if they get a customer experience that exceeds their expectations. 56% of them would not increase their volume at all, compared to 37% for the customers under 30 years of age.

37% of these younger customers (under 30) would be happy to increase the volumes they buy by 10- 30%.

Figure 18 To what degree Norwegian customers would we willing to increase their yearly purchases as a result of a customer experience that is above expectations. Comparison between age groups

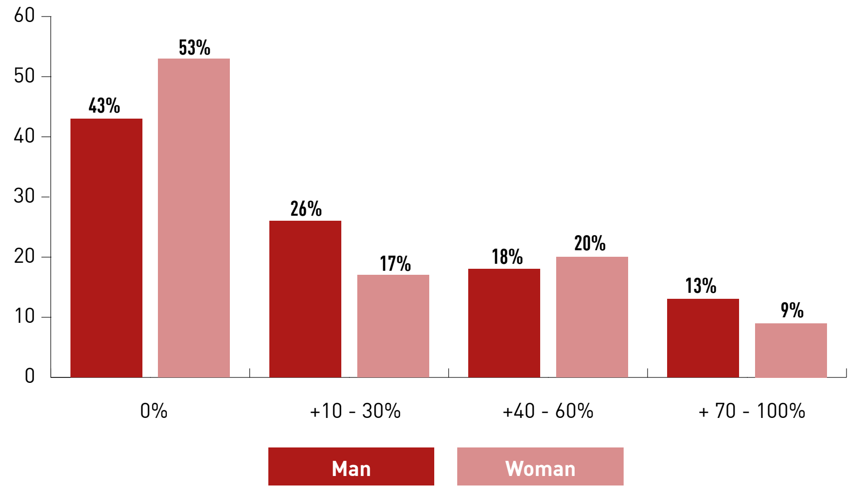


Men will reward a good customer experience

Men are a bit more open than women to buy more as a result of a customer experience that exceeds their expectations.

The only significant difference can be seen in the percentage of men and women that do not increase their spending at all and in those that would buy 10- 30% more.

Figure 19 To what degree Norwegian customers would we willing to increase their yearly spending as a result of a customer experience that is above expectations. Comparison between gender



Negative CX leads to high risk of churn and negative loyalty

On average there is a very high risk of losing customers that feel they get a bad customer experience as 66% of the customers that we classify as having "Negative CX" said that they would leave within a year. We classify customers that score an average of 1- 2,67 on the CXi as customers having a negative CX.

37% of the Detractors have stated that they would leave/end the relationship within a year. As the average Norwegian company in our survey have a customer base consisting of 32% Detractors, this means that 12% of the total customer base of average Norwegian companies are at risk. The main reason is likely that these customers are not getting a customer experience that´s good enough.

Some unhappy customers (negative CX) have reported that they would stay with the same company for 1-3 years even if the company don´t do any improvements. A single negative incident or an attractive offer from a competitor have a high potential to speed up the process of leaving.

Some unsatisfied customers are taken "hostages". These customers are hostages because they see themselves staying with the same company even though they are not happy with the company - they are trapped.

14% of the customers having a negative CX have answered that they would stay as a customer for more than 3 years even if the company doesn't improve the customer experience. These customers are hostages as they can´t leave at their own will.

Being trapped in a bad relationship might cause the "hostages" to lash out against their "captors" by spreading negative word of mouth to other customers (both present and potential customers). Hostages can thereby do more damage while being trapped, than if they could just leave for a competitor. The loyalty the hostages display (by staying as customers) might have a large negative effect on the reputation and, thereby, the profits of the company. This is negative loyalty.

Figure 20 Proportion of Quitters, Slow movers and Hostages

FIGURES

OVERVIEW OF FIGURES AND TABLES IN THE REPORT

ABOUT KOBRA AS

KOBRA is continously working for clients to develop better customer experiences and value propositions. We can offer tested and proven methods which we have further developed through assignments for 85 large businesses in the past few years. We can offer assistance in all phases of customer experience projects – from charting of needs to implementation and further development. «If a brand is the promise you make, the customer experience is the promise you keep.»

When we discuss what we've learned in the five years KOBRA has worked with customer experience, we find that all our successful projects have a few essential elements in common:

We must be able to agree upon a common definition of what customer experience means for the business.

Defining, formulating and distributing what the customer experience is going to be like, is paramount. Businesses that are able to establish a good, common understanding of the customer experience are able to create involvement and get the necessary detail level in the implementation of their goals. Those who skip the definition phase will have trouble orchestrating fully incorporated experiences.

The definition must cover the following elements:

Defining the intended experience for the business' customers

Guidelines for the activities of the employees

Provide a basis for decision making processes, prioritizing of projects and financing of projects

Customer experience must be anchored in the top management, and responsibility for activities must be clearly defined.

When customer experience as a strategic direction is anchored in top management, the use of customer experience terms and ideology will spread throughout the entire organization. We like to view customer experience as a competency and a dicipline, rather than as a position to claim.

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