

# The Customer Experience Tipping Point

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An Ipsos + Medallia  
study: U.S., UK,  
Germany, and France

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## Methodology

Medallia partnered with Ipsos to conduct a panel survey of 8,002 consumers from four countries — US (2,002), UK (2,000), France (2,000) and Germany (2,000) — across six industry sectors: online retail, offline retail, banking, insurance, mobile network providers, and hotels. The collected sample was approximately matched to the census of each country on age and gender. The research was conducted online in the local language for each country, and respondents were incentivized to participate.

# Key insights

## Customer experience matters more than brand promise for service industries

When consumers choose a company from which to purchase a product or service, how do they do so? While the company's advertising and public messaging do have an impact, customer experience matters even more. When we asked global consumers about various factors that might influence their decision to choose or continue using particular brands in the future, the top two answers were personal experience (50%) and the opinions of friends, family or known peers (20%). By comparison, only about 16 percent viewed a company's brand reputation as a top reason to patronize it, and only about 12 percent suggested they would be swayed by a company's advertising communications online (7%) or in traditional media outlets (6%).

## Customer experience makes or breaks a company

Today's customers are quick both to penalize companies for negative experiences and to reward them for positive ones. Sixty-four percent of global consumers claim to have avoided a brand because of a bad experience they had within the last year. Almost half (47%) say they have avoided a company because of its online reputation or negative social reviews. In contrast, 77 percent claim to have chosen a product or service from a company because of good experiences they had with it. What's more, consumers state they are willing to pay more for better experiences, with 73 percent of offline retail customers claiming they would pay more for better customer experience.

## How to provide a positive experience across the entire customer journey

For today's consumer, excellent customer experience is not just about what happens in-store or even at the point of sale. Instead, companies need to deliver great experiences across every step, stage, and channel of the customer lifecycle, and there is no room for complacency. But providing a great customer experience at every interaction is getting harder across industries and countries as customer expectations continue to rapidly rise. In order to meet and exceed customer expectations, companies need to be agile and prepared to move and change course at speed. Specifically, this means providing ease

and convenience across all customer touchpoints, creating personalized experiences for each individual customer, engaging in real-time dialogue in order to satisfy consumer needs without delay, and reflecting customers' values.

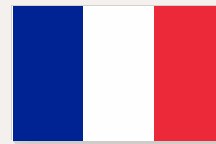
## How to respond when problems arise

Despite companies' best efforts, sometimes problems do arise in the customer journey. Perhaps there is an error in a client's bill, or a package is shipped to the wrong address. While customers know that mistakes can

happen, they also expect companies to at least match their level of effort to resolve the problem. Our research reveals that when consumers believe they have put in more effort than a company to resolve an issue, they are twice as likely to tell friends, family or colleagues about the bad experience, and four times more likely to stop purchasing from the company, switch brands, or use the company less. By taking action, and thus ensuring fair customer treatment, companies stand the best chance of preserving their customer relationships even when there are bumps in the road.

## Country-specific insights

Our research reveals important new findings about customer experience and expectations across six industries – online retail, offline retail, banking, insurance, mobile network providers and hotels – in four countries: the US, Germany, France, and the UK.



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 United States

 Germany

 France

 United Kingdom

## SECTION 1

2018 is the year to win through  
customer experience

Customer experience (CX) is a key battleground for companies in today's economy. Yet this is a battleground on which many companies struggle.

Today's customers have more choices, and more power over the brands they interact with, than ever before. Meanwhile, customer expectations have risen as technological innovations and a relentless focus on the customer have allowed leading brands to deliver superb experiences. As a result, it is no longer enough to simply provide a high-quality product or a competitive price. Instead, in ["The Age Of The Customer"](#), brands are built — or broken — on customer experience.

These trends are especially strong among the younger generations, Millennials and Gen Z, who have grown up in a world of responsive brands and personalized customer experiences and are accustomed to being in regular dialogue with companies. These

consumers hold brands to high standards, expecting them to keep their promises and take immediate action in response to customer demands.

If these trends are any indication, the successful brands of the future will be those that stay ahead of the curve and look for ways to continually improve their customer experience. To help companies better understand what they need to do, Medallia partnered with Ipsos to conduct a survey of 8,002 consumers in four countries across six industry sectors: online retail, offline retail, banks, insurance, hotels, and mobile network providers. Our findings highlight a number of current trends in customer experience and indicate how companies can meet or exceed customer expectations in the coming year and beyond.

8,002  
consumers

4  
countries

6  
industry sectors



online  
retail



offline  
retail



banks



insurance



hotels



mobile  
network  
providers

## SECTION 2

Customer experience  
matters more than brand  
promise for service industries



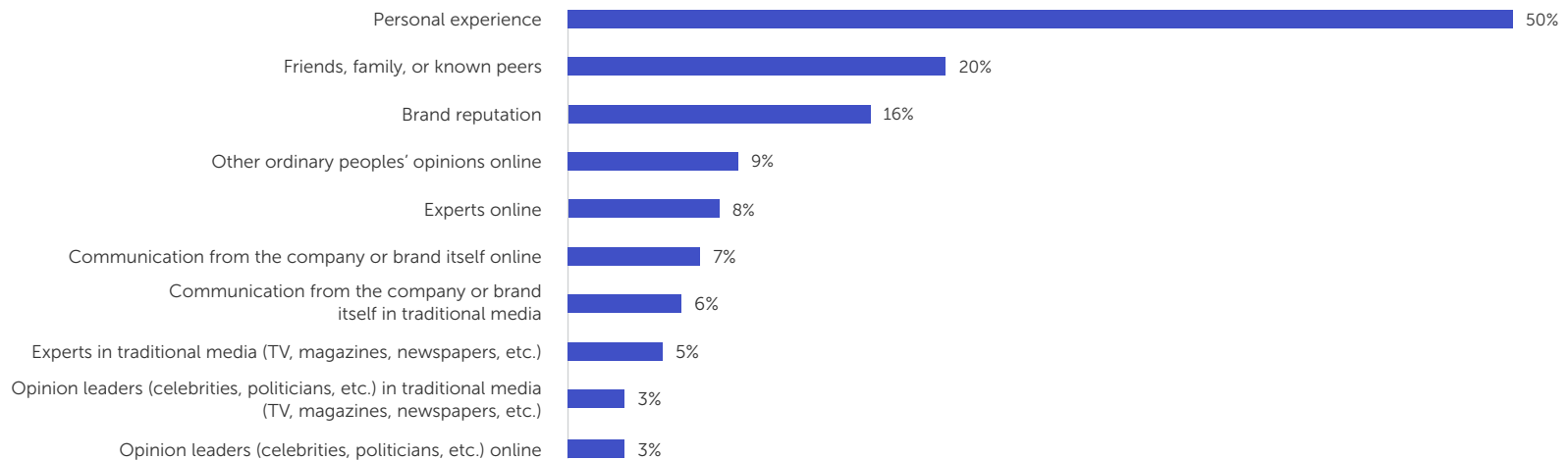
When consumers choose a company from which to purchase a product or service, how do they do so? While the company's advertising and public messaging do have an impact, customer experience matters even more, especially for the service industries covered in our study. When we asked consumers about various factors that might influence their decision to choose or continue using particular brands in the future, the top two answers were personal experience and the opinions of friends, family or known peers. Fifty percent of consumers cited personal experience as a top reason to purchase from a particular brand, 20 percent highlighted the opinions of family and friends, and nine percent indicated the

experiences of other consumers as expressed online. By comparison, only about 16 percent of consumers viewed a company's brand reputation as a top reason to patronize it, and an even smaller percentage suggested they would be swayed by a company's advertising communications online (7%) or in traditional media outlets (6%) (See Figure 1).

Meanwhile, the rise of social media and online review sites has increased the importance of customer experience to a brand's reputation, and diminished companies' ability to shape their public images through traditional advertising and communication efforts. Today, a significant part of a brand's public image can be defined online through reviews

that reflect the experiences of hundreds or even thousands of customers. Indeed, more than half (52%) of the global consumers we surveyed claimed to have left an online review of their experience with a company.

What all of this means is that companies can no longer plan to rely entirely on the strength of their products and advertising to sustain a positive brand reputation. Instead, they must devote sustained effort to ensuring that each customer interaction is a positive one, and to correcting problems that arise in these interactions. Otherwise, they risk finding that their products and advertising no longer have the impact they once did.



**Figure 1**

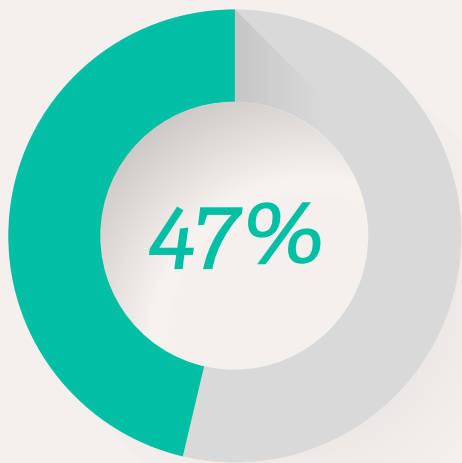
How much does each of these influence your decision to choose or continue using brands in the future?

Percent of respondents who rated each item 9 or 10 on a 10-point scale where 1 is "definitely would not influence" and 10 is "definitely would influence."

## SECTION 3

Customer experience makes  
or breaks a company

Word of mouth about negative customer experiences can really deter consumers



of customers say they have avoided a brand because of its online reputation or negative social reviews.

Today's customers are quick both to penalize companies for negative experiences and to reward them for positive ones. They are also well aware that their influence in the marketplace is stronger than ever and are willing to use that influence to directly affect your brand's reputation, both for good and for ill.

### No bad experience goes unpunished

Sixty-four percent of consumers say they have avoided a brand because of a bad experience they had within the last year. What's more, this pattern is even more pronounced for younger generations (see Figure 2).

Yet consumers not only abandon brands after bad experiences; they also take others with them. Word of mouth about negative customer experiences can really deter consumers: almost half (47%) say they have avoided a brand because they heard or read about someone else's bad experience with it, and the same share have avoided a company because of its online reputation or negative social reviews. Younger generations (55% of Millennials and 58% of Gen Z) are also more likely than older generations (40% of Boomers and 33% of Silents) to be influenced by others' negative experiences.

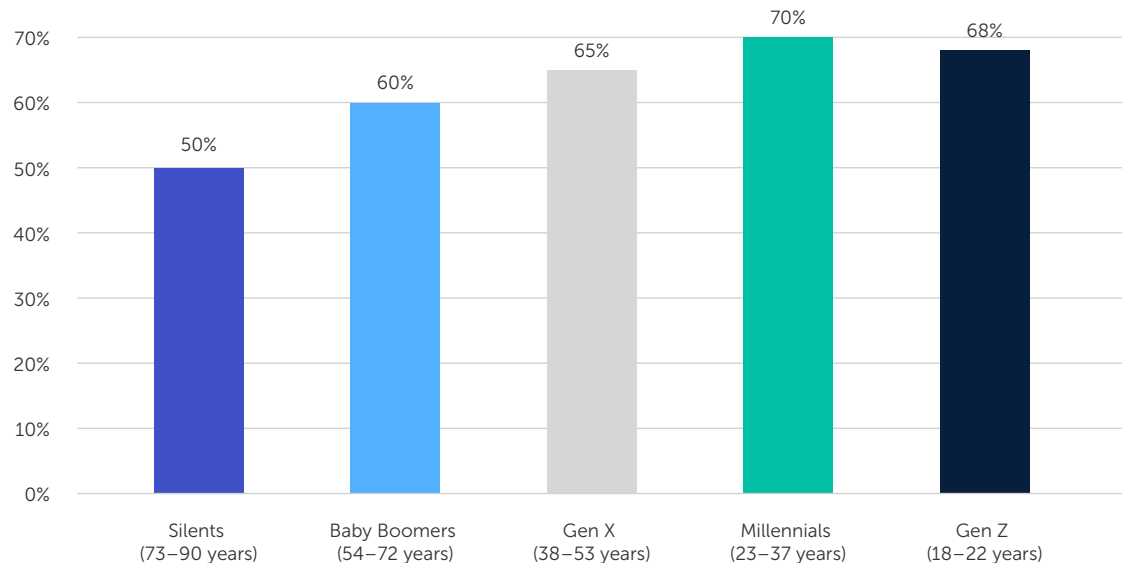


Figure 2

Percent of customers who avoided a brand because of a bad experience, by generation

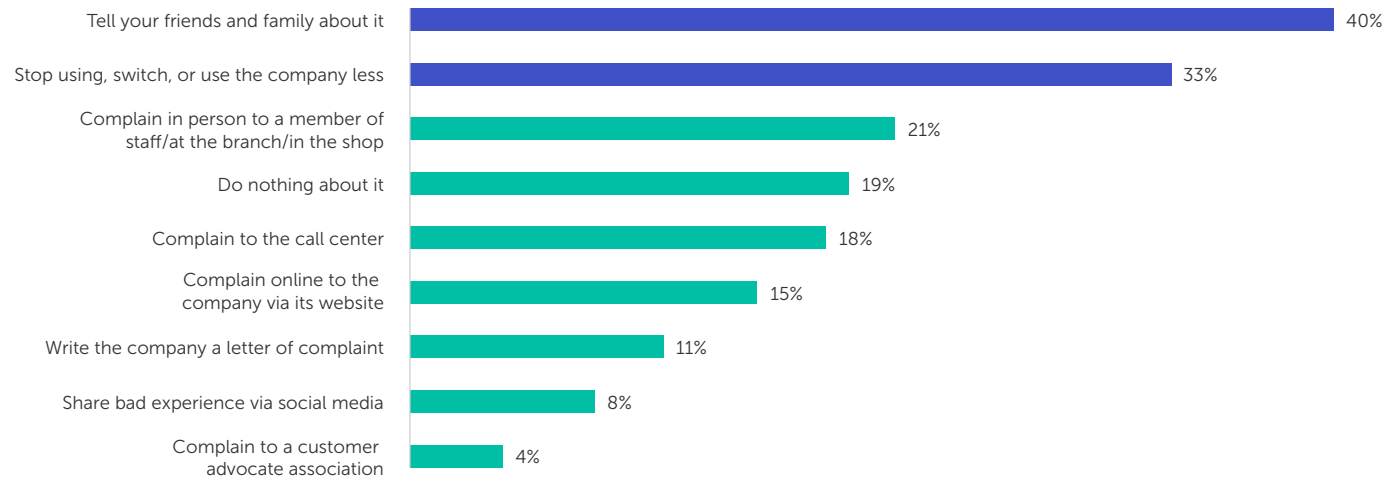
Consumers also will not hesitate to damage a brand's reputation after a bad experience, and this holds across industries. In direct response to a problem (or negative critical incident)<sup>1</sup>, telling friends, family or colleagues about the bad experience is the most frequent reaction (in 40% of incidents), especially among younger consumers (51% of cases among 18 to 24 year olds, and 48% among 25 to 34 year olds). This pattern has obvious potential to harm companies' bottom lines through business lost due to

poor word of mouth. Still, the second most common reaction to a negative experience with a brand – to switch, stop using, or use a company less (a third of negative incidents) – has an even more direct impact on a company's bottom line. Both trends clearly highlight the importance of effectively managing negative customer experiences when they occur (see Figure 3).

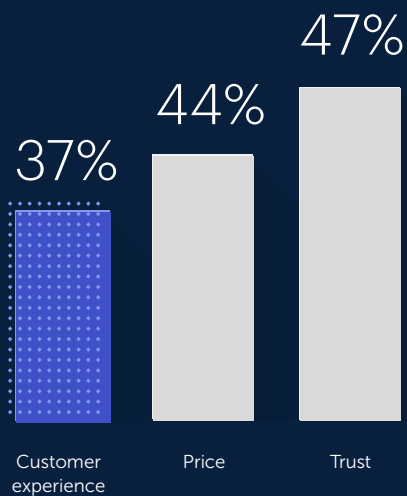
## But a positive customer experience pays off

It's not all bad news. On the contrary, 77 percent of consumers have chosen a product or service from a company or brand because of good experiences they have had with it, and this is consistent across generations. Fifty-nine percent also claim to have made a

**Figure 3**  
Customer response to a negative critical incident (e.g., one or a few minor problems or issues, a major complaint, or a problem)



## Reasons to renew an insurance policy



customer experience (37%) is the third most frequent reason to renew an insurance policy

purchase from a company because they heard or read about someone else's good experiences.

In fact, word of mouth is the most common response to a positive experience. When asked what they did when they experienced a positive critical incident<sup>2</sup>, customers report telling their friends and family about it in just under half (47%) of cases, rising to 60 percent of cases for hotel customers. A fifth (21%) say they wrote on social media to share the experience or wrote a review on the website/rated the company. With this word of mouth, naturally, come further opportunities for new customer acquisition.

Positive customer experiences can also contribute to the bottom line both through repeat business and through the prices customers are willing to pay. In just under a quarter (23%) of positive critical incidents, customers report that they started using the company more. This is particularly the case for retail shopping, both on- (31%) and offline (27%). Moreover, for insurance consumers, for example, apart from trust (47%) and price (44%), customer experience (37%) is the third most frequent reason to renew an insurance policy<sup>3</sup>. From a global perspec-

tive, CX beats price in Germany (top reason) and the US (second after trust), and is third most common in the UK and France (after trust and price). In the hotel sector, customer experience is even more central. Sixty-six percent of hotel guests who say they would go out of their way to stay at a desired hotel brand claim they would do so because of a positive experience with the hotel, making it the top reason before price (51%), location (48%), familiarity with the brand (45%), and reward points (30%), among others.

Meanwhile, when it comes to price, 73 percent of offline consumers state that they are willing to pay more for a better customer experience.

## SECTION 4

How to provide a positive  
experience across the entire  
customer journey

There is no room for complacency in the arena of customer experience today, as customer expectations are both high and rising. For the contemporary consumer, excellent service is not just about what happens in-store or even at the point of sale. Instead, companies need to deliver great experiences across every step, stage, and channel of the customer lifecycle.

## Customers expect ease and convenience every step of the way

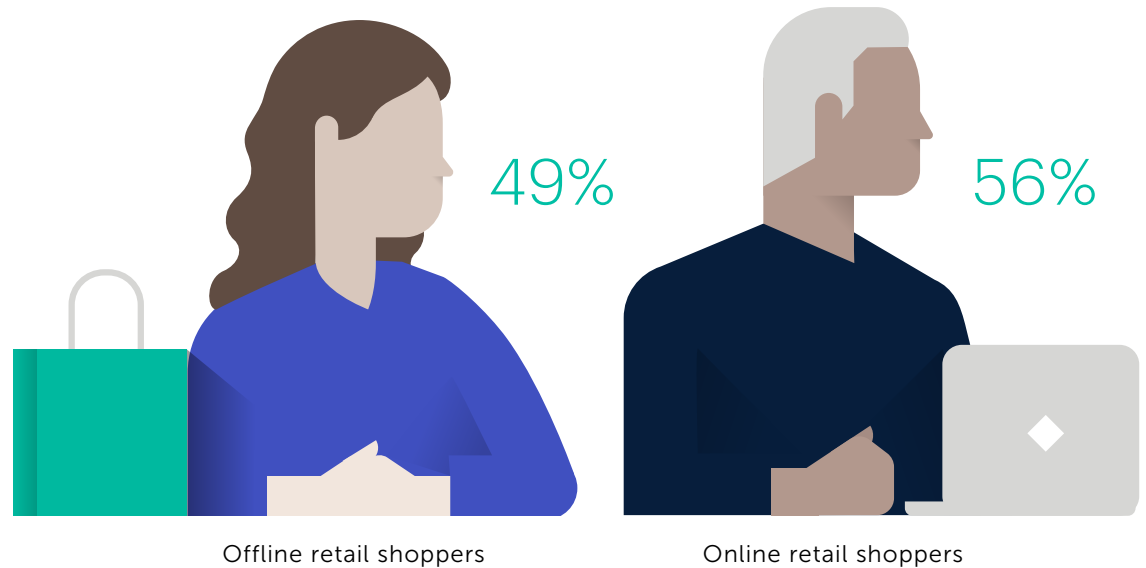
Regardless of when, how, or why they are interacting with your brand, customers expect the experience to be seamless and efficient. For instance, according to our survey:

- 56 percent of online retail shoppers and 49 percent of offline shoppers expect consistent levels of service across physical and digital channels.
- 24 percent of customers expect checkout free shopping to be available. The US leads the way in

this respect, with 35 percent of US consumers expecting checkout free purchases compared to 24 percent in the UK and France, and 12 percent in Germany.

- 35 percent of online retail consumers expect to have the option to chat with a live agent.
- 30 percent of customers expect call center agents to be instantly familiar with their contact history.
- 24 percent of online retail consumers expect same day delivery.

56 percent of online retail shoppers and 49 percent of offline shoppers expect **consistent levels of service** across physical and digital channels.



## Speed is paramount

Today's consumers expect to engage in real-time dialogue with companies across touchpoints in order to get what they need without delay. Seventy percent of consumers report that they expect an immediate response when they submit a complaint. What's more, customers expect almost an immediate response to their online reviews. After leaving an online review, over half (54%) of consumers expect to be contacted by the company in under two days. A fifth expect to be contacted in under 24 hours (see Figure 4).

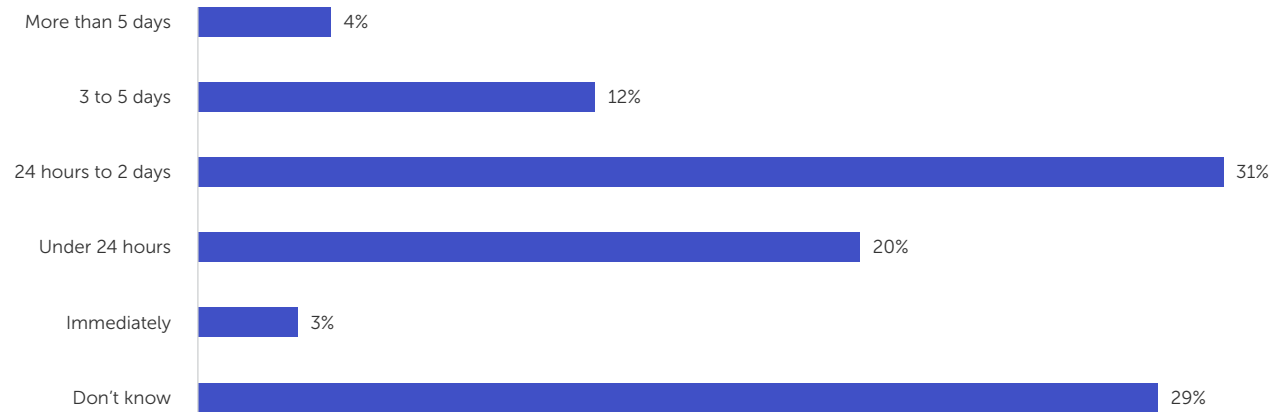
## Get to know your customers as individuals

Consumers also expect companies to treat them as individuals, and to handle their personal data with integrity. Thirty-seven percent expect companies they do repeat business with to know who they are. Forty percent, on average, expect to be offered personalized experiences based on their interests, buying behavior, demographics and psychographics (29% of online retail consumers, 27% in offline retail, 37% in

mobile network providers, 44% in hotels, 50% in banks, and 53% in insurance). Further, consumers count on companies to protect their personal information, with 75 percent indicating that they expect their personal data to be held securely (81% of US consumers, 83% in the UK, 64% in France and 72% in Germany). As this suggests, consumers expect companies to treat them with respect and to protect their interests at all times, even in moments when they are not actively engaging with the brand.

**Figure 4**

After writing an online review, how quickly do you expect to be contacted by the company?





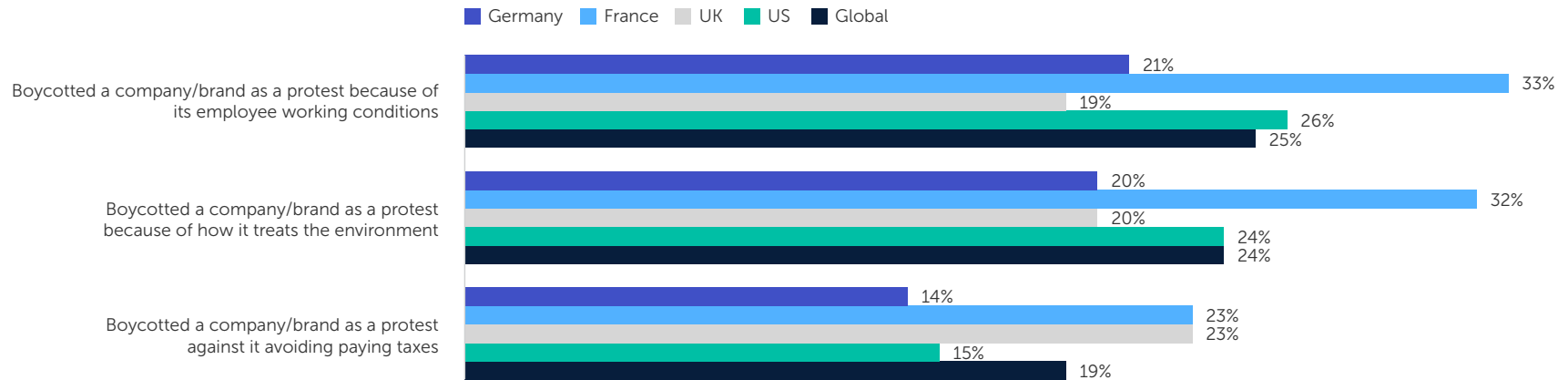
A group of five people (three men and two women) are sitting on a dark wooden bench, viewed from behind. They are looking out over a scenic view of a town built on a hillside. The town features multi-story buildings with light-colored facades and red-tiled roofs. A suspension bridge is visible in the distance on the left. The sky is filled with soft, white clouds. The overall mood is peaceful and contemplative.

40% of global consumers expect to be offered personalized experiences based on their interests, buying behavior, demographics, and psychographics

## Reflect your customers' values

Brands are also increasingly held accountable for their stances on social and political issues. In the last year alone, 36 percent of consumers claim to have boycotted a brand over an issue that is not directly connected with its products or services. France leads the way in this respect, with the highest percentage of consumers who have stopped using a brand due to negative news in the media. For example, globally, in the last 12 months:

- A quarter of consumers have boycotted a company in protest against its employee working conditions. In France, this number jumps to a third of consumers.
- Twenty-four percent of consumers have boycotted a company in protest of how it treats the environment. Almost a third of French consumers have abandoned a brand over this issue.
- Almost a fifth of consumers have boycotted a company in protest against its failure to pay its taxes.



**Figure 5**  
Percent of consumers who boycotted a company/brand in the last year

## Global customer expectations are high and rising quickly

As high as today's customer expectations are, they are also continuing to rise. One fifth of online retail consumers say their CX expectations are higher than they were just two years ago. The same is true for hotels and mobile network providers, while 16 percent of bank customers, 15 percent of insurance customers, and 10 percent of offline retail customers feel their expectations have risen in the last 24 months.

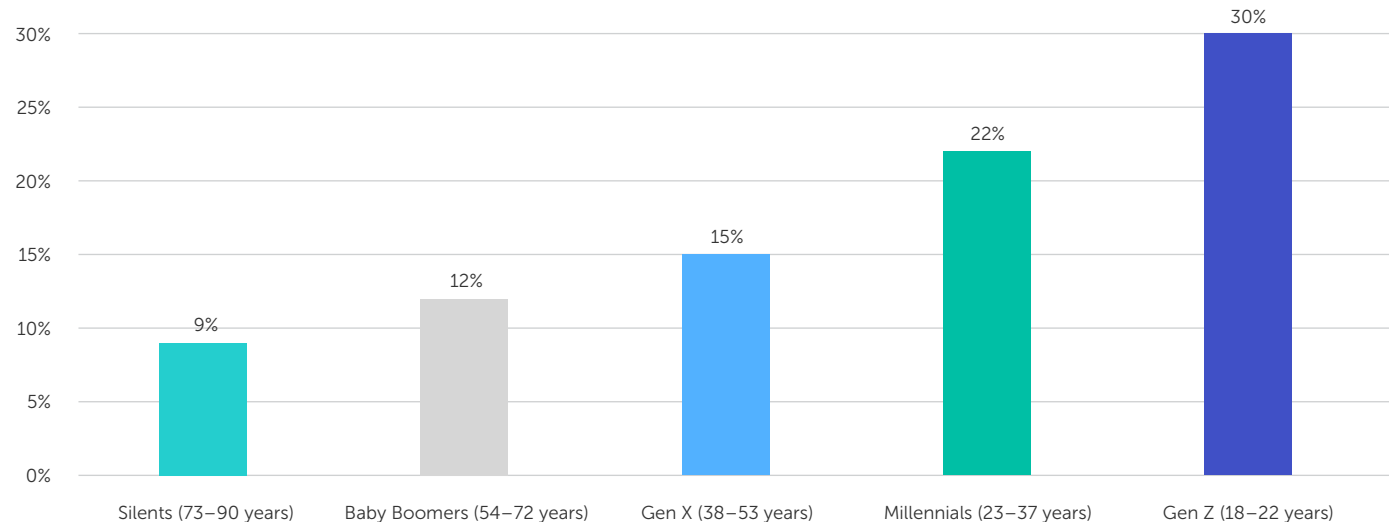
Expectations may also be rising faster among younger customers than older ones. For example, 30 percent of Gen Z consumers claim to have higher expectations for online retail than two years ago, compared to only 17 percent of Boomers. In banking the difference is even more dramatic: 30 percent of Gen Z consumers and 22 percent of Millennials claim to have higher expectations, compared to only 12 percent of Boomers and 9 percent of members of the Silent generation (see Figure 6).

These changes largely reflect a keen awareness among consumers of how their experiences with any given brand stack up against

not just its own competitors, but also against businesses in other industries. For example, among the 21 percent of online shoppers who say their expectations are higher than they were two years ago, 47 percent attribute this change to the fact that they have always had great experiences with the brand. However, 26 percent say other types of businesses offer better customer experience, so their brand should, too; and 19 percent point out that other types of businesses are leveraging recent advances in technology.

**Figure 6**

Banking: Percent of consumers with higher CX expectations than 2 years ago



## SECTION 5

How to respond when  
problems arise

Despite companies' best efforts, sometimes problems do arise in the customer journey. Perhaps there is an error in a client's bill, or a package is shipped to the wrong address. While customers know that mistakes can happen, they also expect companies to fix the problem and to treat them with respect in the process.

## Customers don't want to be responsible for fixing companies' mistakes

After a negative experience with a brand, it is not only customers who react. They also expect a response from the company. But the

perception of the effort customers must put in to resolve an issue, relative to the company's effort, can have a profound effect on their relationship with the brand.

This notion of the 'Effort Ratio' between customer and brand, developed by Ipsos, facilitates exploration of how fairly customers feel they are treated. Research in the field of neuroscience shows that unfair treatment can elicit strong responses in some individuals, akin to a 'threat response.' In a commercial environment this can translate into churn or other undesirable outcomes such as negative word of mouth or ranting on social networks.

Our research finds that when customers believe they have put in more effort than a company to resolve an issue, they are twice as likely to tell friends, family or colleagues about the bad experience (51% of cases where the customer put in more effort; 28% where the company did); and four times more likely to stop purchasing from the company, switch brands, or use the company less (45% of cases where the customer put in more effort; 13% where it was the company) (See Figure 7).

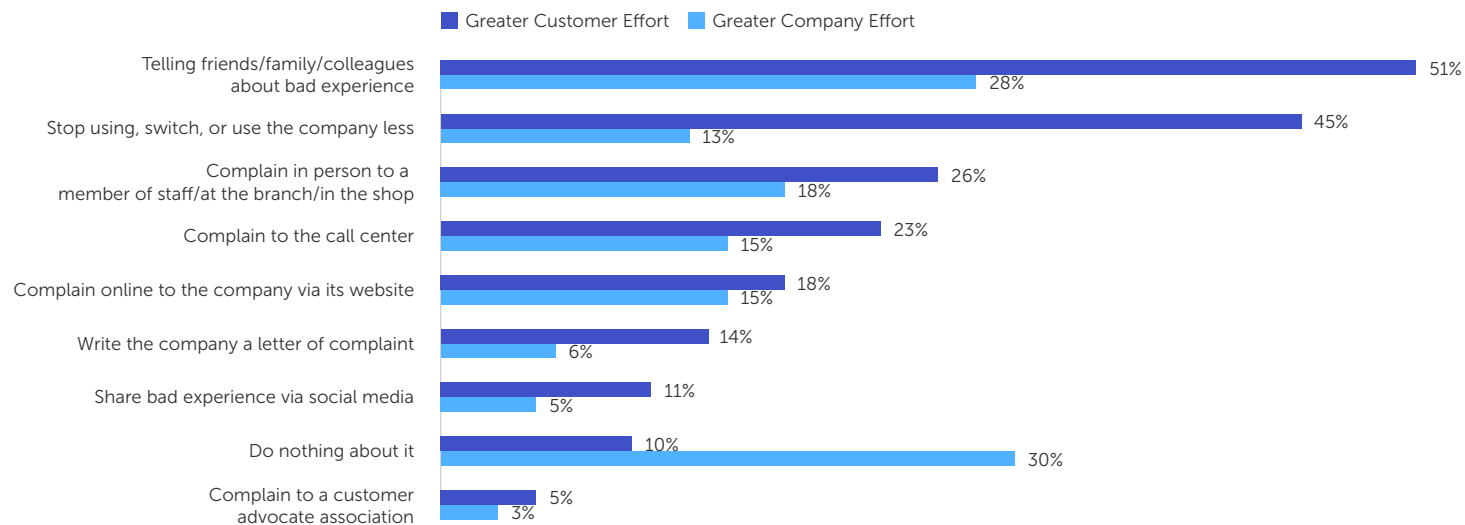


Figure 7

Customer response based on perceived Customer/Company effort

## Companies need to do more to respond to negative experiences

On the whole, consumers are unimpressed with companies' efforts to address disappointing experiences with their brands. When customers who experienced a negative critical incident with a company were asked how it responded, the most common response (29% of cases) was that it took no action. In only 26 percent of cases did customers agree that the issue was resolved, and in the same proportion of cases customers claimed they were treated with respect. The company apologized in a mere 24 percent of cases,

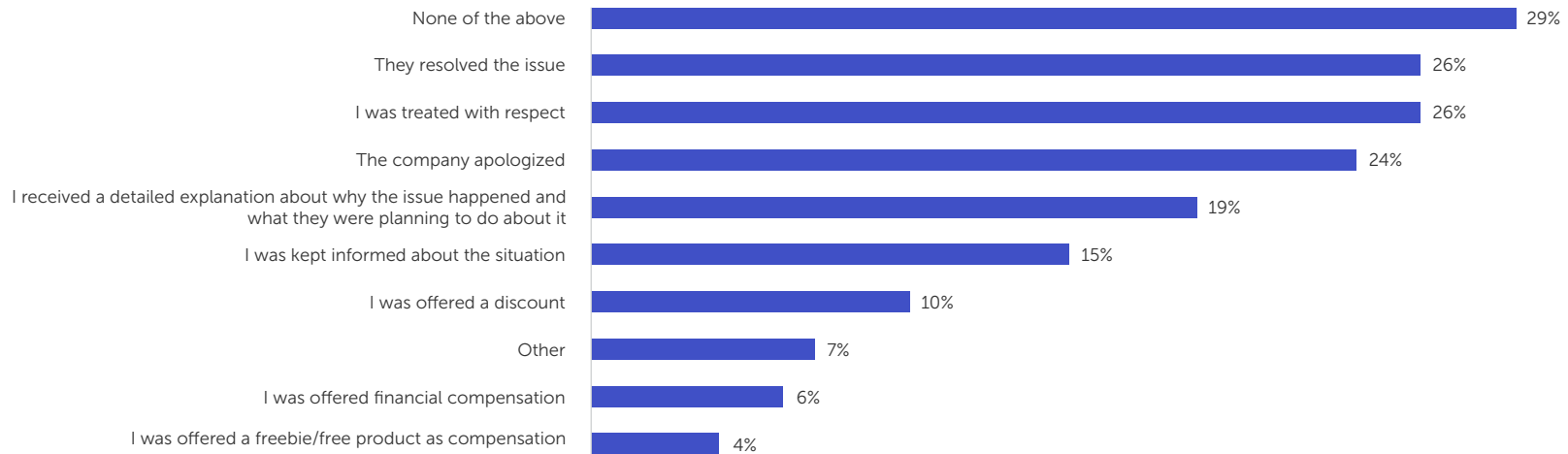
and provided a detailed explanation about why the issue happened and what it was planning to do about it in only 19 percent (Figure 8).

Yet actively responding to negative customer incidents both reduces churn and plays a crucial role in customer perceptions of the Effort Ratio. With respect to churn, customers stop purchasing from a company, switch brands, or use a company less in:

- 24 percent of cases where an apology is received or the customer is treated with respect (versus 39% of cases where this does not happen)

- 20 percent of cases where they are kept informed or receive a detailed explanation about why the issue happened and what the company plans to do about it (versus 38%)
- 26 percent of cases where a discount, freebie, or financial compensation is offered (versus 35%)

In addition, customers who reported that companies took a specific action after a negative incident were significantly less likely



**Figure 8**  
Company response to negative critical incidents

to feel that they put in more effort to resolve the problem than the company did. For example, when customers claimed they were treated with respect or were kept informed, they reported putting in more effort than the company only about half as often as when they did not report these things (see Figure 9).

However, as these figures show, the proportion of cases where customers still believe they put in more effort despite the compa-

ny's actions never drops below three in ten, suggesting that the battle to convince customers that a company is committed to resolving their problems is not an easy one.

Addressing the imbalance between customers' and companies' efforts to resolve the inevitable customer issues that arise in the course of running a business is vital to defending a company's reputa-

tion and preventing the loss of business. The good news is that even relatively small and cost-effective actions following a problem can make a big difference to customer loyalty. The bad news is that many companies are a long way from meeting customer expectations in this area.

Type of action	Did the company take action? (Yes/No)	Percent of customers who reported Company effort < Customer effort	Percentage point difference
I was treated with respect	No	62%	31%
	Yes	31%	
I was kept informed about the situation	No	58%	28%
	Yes	30%	
I received a detailed explanation about why the issue happened and what the company was planning to do about it	No	58%	23%
	Yes	35%	
I was offered a freebie/free product as compensation	No	55%	21%
	Yes	34%	
The company resolved the issue	No	59%	19%
	Yes	40%	
I was offered financial compensation	No	54%	13%
	Yes	41%	
The company apologized	No	57%	13%
	Yes	44%	
I was offered a discount	No	55%	13%
	Yes	42%	

**Figure 9**  
Percent of customers who reported putting in more effort than the company to resolve a problem

## SECTION 6

To compete on today's  
customer experience battlefield,  
companies need to act now





## Thriving, Not Just Surviving

In 2018, companies that want to thrive — not just survive — need to take action on improving their customer experience. Winning new customers and retaining the old will depend on providing best-in-class customer experiences across the entire customer journey and at every point of interaction with the brand. It will involve treating customers as individuals and meeting or exceeding their expectations without hesitation.

To achieve these goals, companies need to be agile and prepare to move and change course at speed. The results of this survey show this to be true across industries and across countries. Today, consumers derive value not only from products and services, but from the experiences companies deliver. To be truly successful, brands will need to provide ease and convenience across all customer touchpoints, create deeper connections with consumers, engage in a real-time dialogue to understand their wants and needs, and adapt quickly to their ever-changing expectations.

## SECTION 7

# Country-specific insights

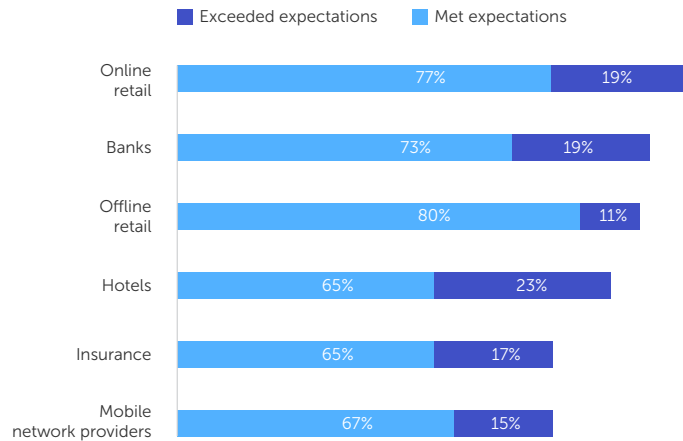
United States

In the US, online retail emerged as the leader among consumers, with 96 percent of respondents indicating that their needs were met or exceeded in their interactions with the sector. This was followed by banks at 92 percent, offline retail at 91 percent, and hotels at 88 percent. Insurance and mobile network providers tied for last, with 82 percent of consumers indicating that their expectations were met or exceeded in each case (see Figure 10).

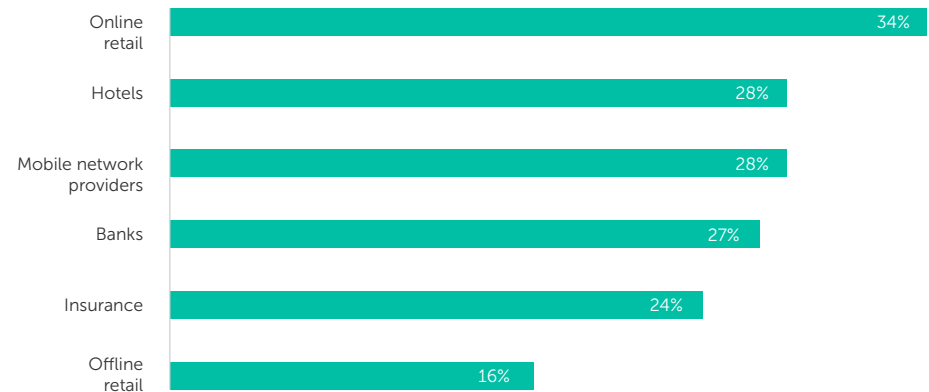
## Online retail outpacing customer expectations

Although consumers were more likely to say that their expectations of online retailers have risen in the last two years when compared with the other industries, only three percent reported an experience that failed to live up to their expectations. With online retail performing so well, one might assume that brick and mortar retailers would struggle

to meet their customers' expectations. In fact, though, only six percent of consumers reported having an offline retail experience that failed to live up to their expectations. This may be explained in part by lower customer expectations of this sector, as it had the lowest share of consumers who reported that their expectations have grown in the past two years (see Figure 11).



**Figure 10**  
Sector ranking: Percent of US customers who indicated their expectations were met or exceeded over the last 12 months



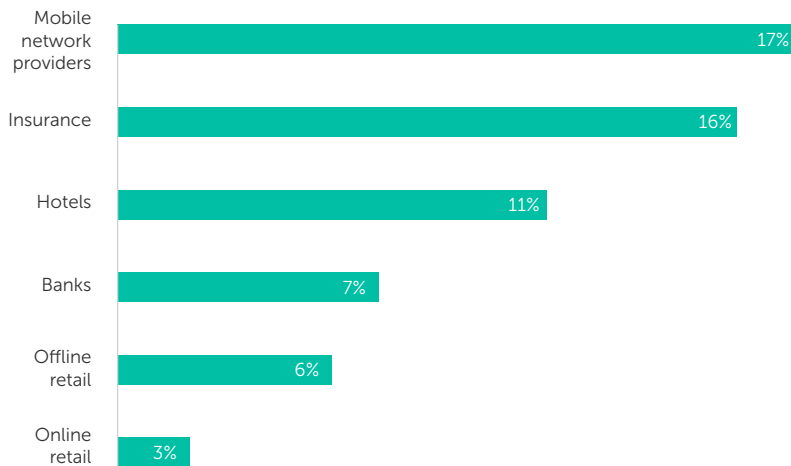
**Figure 11**  
Percent of US customers who indicated their CX expectations are higher compared to two years ago

## The price for failing to meet customer expectations

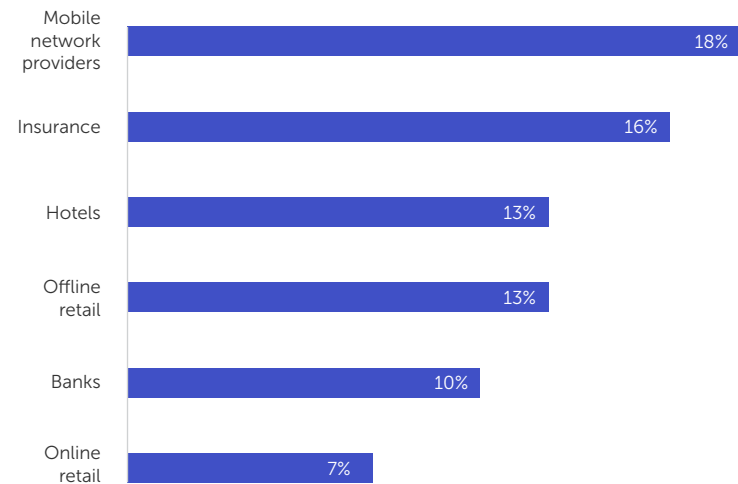
Approximately one out of six mobile network and insurance customers reported that their providers failed to meet expectations. As a consequence, these two sectors have the highest percentage of customers who

indicate they are less loyal than they were two years ago (see Figures 12a and 12b). The top reasons customers offered for their lower levels of loyalty were price, number of available choices, and customer experience. In fact, 46 percent of mobile network customers indicated that they would consider switching brands due to a poor customer

experience. Among insurance customers, 16 percent reported that they switched companies in the past 12 months. Those that stayed with their same provider said they stayed because they trusted their company (55%) and had a good customer experience (49%).



**Figure 12a**  
Percent of US customers who indicated their expectations were not met over the last 12 months



**Figure 12b**  
Percent of US customers who claim they are less loyal than two years ago

## The forgotten generation

Respondents under the age of 55 are more satisfied than respondents aged 55+ across all sectors. In fact, the under 55 group are twice as likely to report having their expectations exceeded as the 55+ group.

This suggests that most industries have been focusing on the younger generations, perhaps at the expense of older customers. Yet it is the 55+ age group that is the fastest growing adult demographic in the US; based on census estimates, it is the only one expected to grow over the next dozen years (see Figures 13 and 14).

## US consumers have higher expectations than those in the UK, Germany, and France

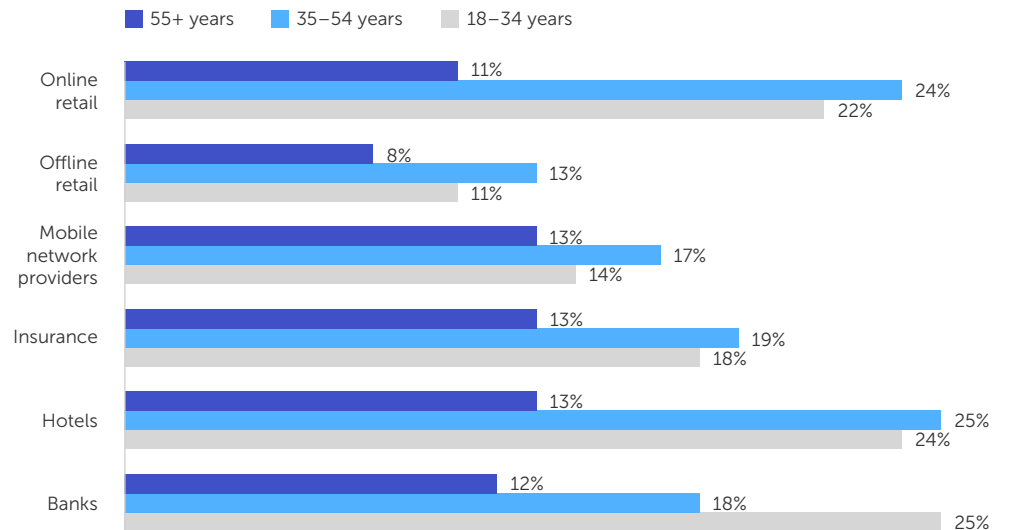
Although expectations have risen across all four markets over the past two years, they have grown fastest in the US across all six

	2016	2020	2025	2030
Total	323,128	332,555	344,056	354,840
<b>Age 20–34</b>	<b>2016</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>
%	21%	21%	20%	19%
<b>Age 35–54</b>	<b>2016</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>
%	26%	25%	25%	25%
<b>Age 55+</b>	<b>2016</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>
%	28%	30%	31%	32%

**Figure 13**

Projected 5-Year Age Group Composition of the Population for the United States: 2016-2030 (Numbers in thousands)

Source: [census.gov](https://www.census.gov)



**Figure 14**

Percent of US customers who indicated their expectations were exceeded in the last 12 months (percentages by sector and age group)

sectors. US consumers also reported significantly higher expectations than consumers in the major European markets for personalized experiences, frictionless flow of information across multiple channels, real-time response on their preferred channels, automated choice, and ability to chat with a live agent. Brands that want to succeed with US consumers need to be relentless with their service innovations in order to keep pace with these constantly rising expectations, or face the consequences.

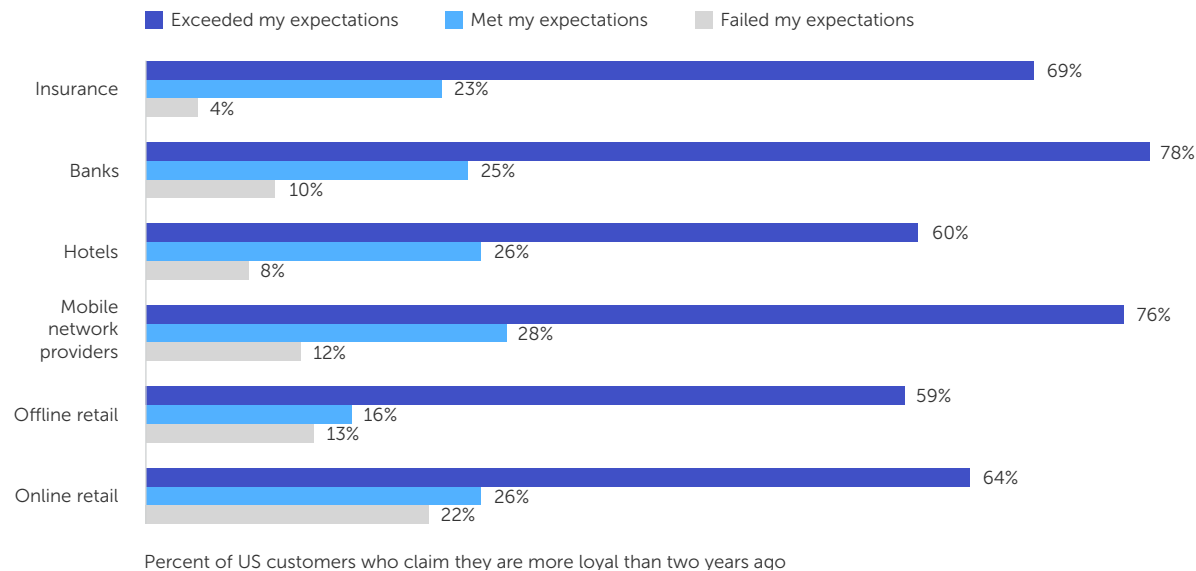
## What are the implications of failing to deliver great CX?

Across all sectors, customers who reported that the brands they use exceeded their expectations were two to three times as likely to report an increase in loyalty as those who report that their expectations were merely met. Similarly, customers who report that their experiences failed to meet their expectations were less likely to report an increase

in loyalty across all industries, including notably at least 15 percentage points for insurance, banking, hotels, and mobile network providers (see Figure 15).

**Figure 15**

Percent of US customers who claim they are more loyal than two years ago, depending on whether their expectations were exceeded, met, or failed by sector



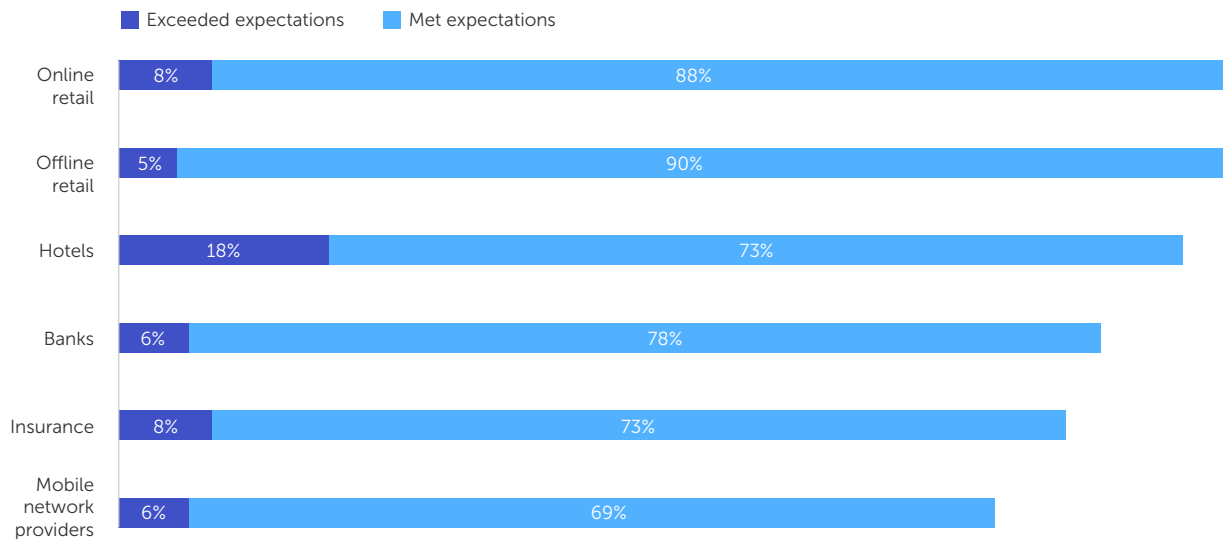
Germany



## Retail and hotels outperform other industries

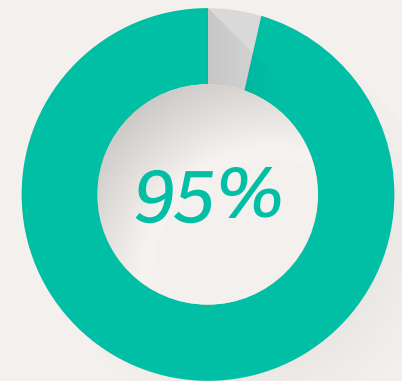
In Germany, the online and offline retail sectors outperformed the rest of the industries in our study. About ninety-five percent of German consumers indicated that their expectations were either met or exceeded

by retail (offline and online) in the last 12 months. This was followed by the hotel industry, at 91 percent. Hotels, however, represent the only sector for which over 10 percent of customers indicated that their experiences exceeded their expectations (see Figure 16).



**Figure 16**

Sector ranking: Percent of German customers who indicated their expectations were met or exceeded over the last 12 months



of German consumers indicated that their expectations were either met or exceeded by retail in the last 12 months.

## German consumers' expectations for hotel, online retail, and mobile providers are rising

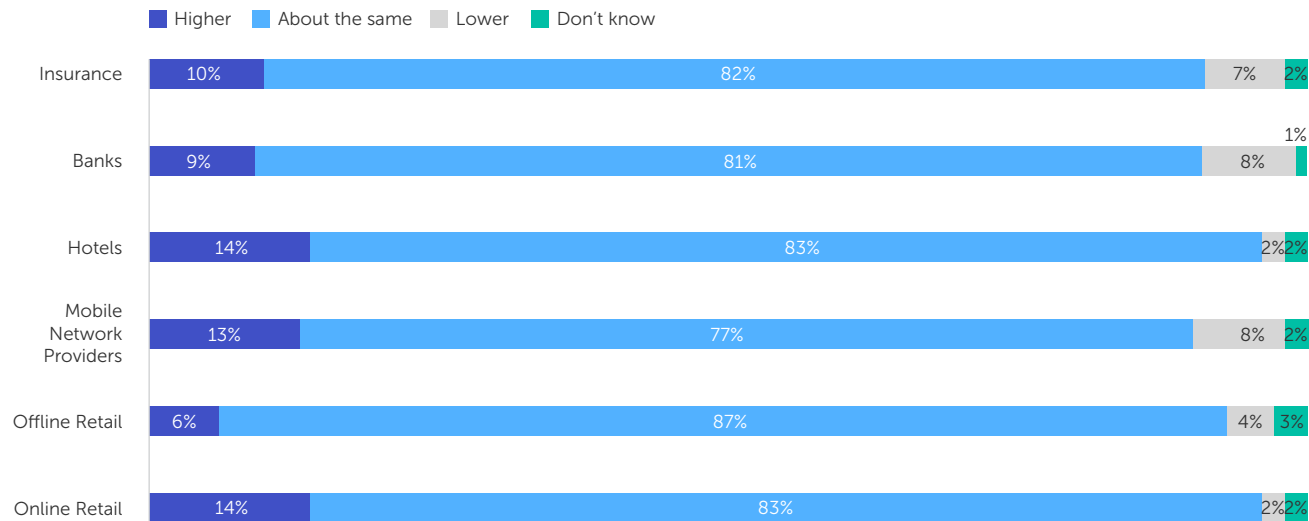
The vast majority of German consumers indicated that their expectations of the various industries we inquired about are about the same as they were two years ago. However,

there are several sectors in which consumer expectations appear to be rising faster than others. Notably, about one out of every seven German respondents indicated that they have higher expectations for online retailers or hotels than they did two years ago, and more than one out of every eight respondents suggested that their expectations for mobile network providers have risen as well (see Figure 17).

## How can retailers continue to deliver great experiences?

The German retail market is highly mature and competitive. And although it is already one of Europe's largest, it is [still growing steadily](#)<sup>4</sup>. As competition intensifies, retailers should make sure that they still deliver great customer experiences. A good starting point is focusing on what customers actually

**Figure 17**  
German customer responses to how their CX expectations have changed compared to two years ago



expect from German retailers, both during and after purchase. Like consumers in the US and UK, German online retail customers expect consistent levels of service across physical and digital channels (56%), frictionless flow of information between multiple channels (49%), real-time responses on their preferred channel of interaction (40%), and

automated support (32%). Sixty-five percent of German consumers also expect an immediate response to their complaints, while 72 percent demand that their personal data be held securely, a pattern that is again similar across countries: US (81%), UK (83%), and France (64%) (see Figure 18).

In addition, over 60 percent of German online retail consumers report having returned a product they bought, two-thirds of them within the first 30 days (and this pattern is similar across countries). Given how common these interactions are, companies should strive to make them as easy and painless as possible (see Figure 19).

Online retail customers	US	UK	France	Germany
Personalized experiences	39%	22%	26%	29%
Consistent levels of service across physical and digital channels	65%	63%	39%	56%
Frictionless flow of information between multiple channels	55%	42%	29%	49%
Real-time response on preferred channel of interaction	55%	47%	40%	40%
Automated support	48%	40%	27%	32%
The option to chat with a live representative	49%	42%	30%	18%
Same day delivery to be available	25%	26%	28%	18%
All consumers	US	UK	France	Germany
Cashless banking to be available	42%	41%	17%	56%
Checkout free shopping to be available	35%	24%	24%	12%
Call agents to be instantly familiar with your contact history	33%	34%	24%	28%
Companies you do repeat business with to know who you are	49%	49%	15%	33%
Personal data the company has about you to be held securely	81%	83%	64%	72%
Immediate response to complaints	70%	74%	71%	65%

**Figure 18**  
Percent of consumers who expect the following from brands

Percent of online retail customers	US	UK	France	Germany	Global
Up to one month	48%	53%	41%	40%	46%
1 to 3 months	22%	10%	18%	10%	15%
4 to 6 months	6%	3%	4%	6%	5%
7 to 12 months	2%	3%	1%	2%	2%
Over a year	1%	1%	1%	3%	1%
Have never made a return	9%	16%	24%	23%	18%
Don't know/can't remember	12%	15%	12%	16%	14%

**Figure 19**  
What is the longest period of time you have waited before returning a product that you bought?

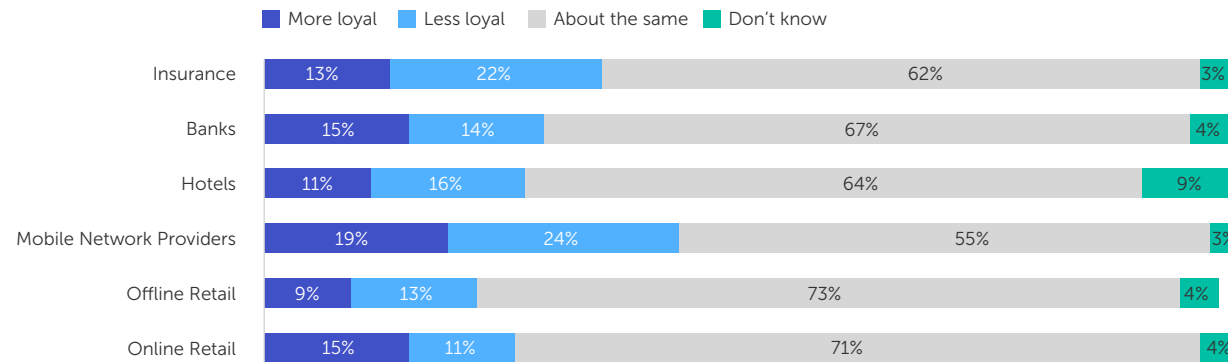
## Mobile network providers perform worst of all

German consumers are least impressed with the mobile network industry, with almost a quarter stating that their experiences failed to meet their expectations. This is followed

by the insurance industry (16%), banks (12%), hotels (7%), online retail (4%) and offline retail (3%). It is unsurprising, then, that mobile network providers (24%) and insurance (22%) also saw the largest share of consumers who reported they were less loyal than they were two years ago (see Figure 20).

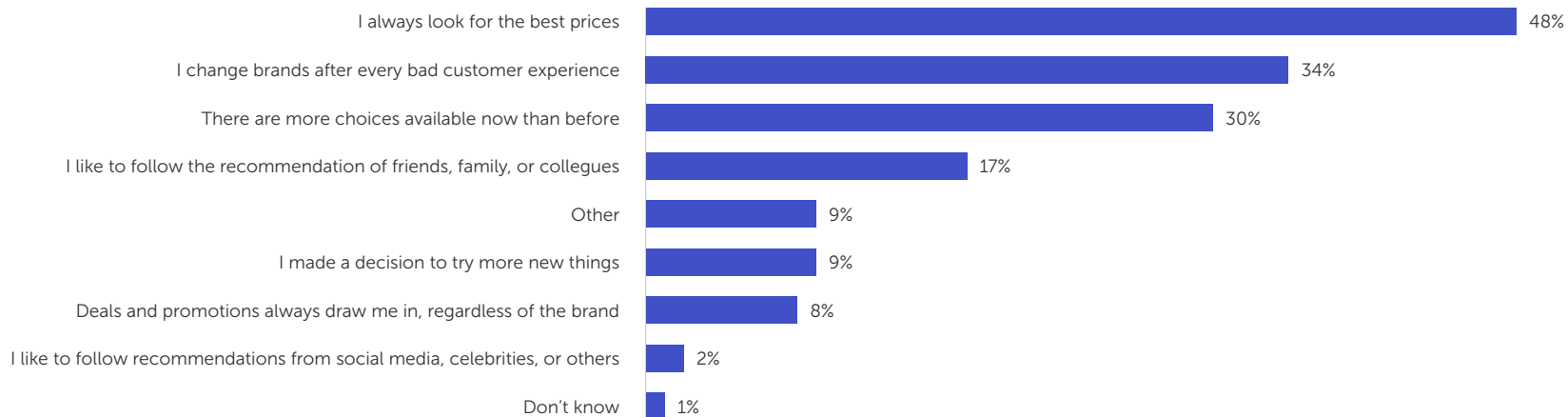
## How can mobile network providers increase customer loyalty?

There are a variety of reasons for declining customer loyalty in the mobile sector. Among customers who indicated that they are less



**Figure 20**

German customer responses to how their loyalty to brands has changed vs. two years ago



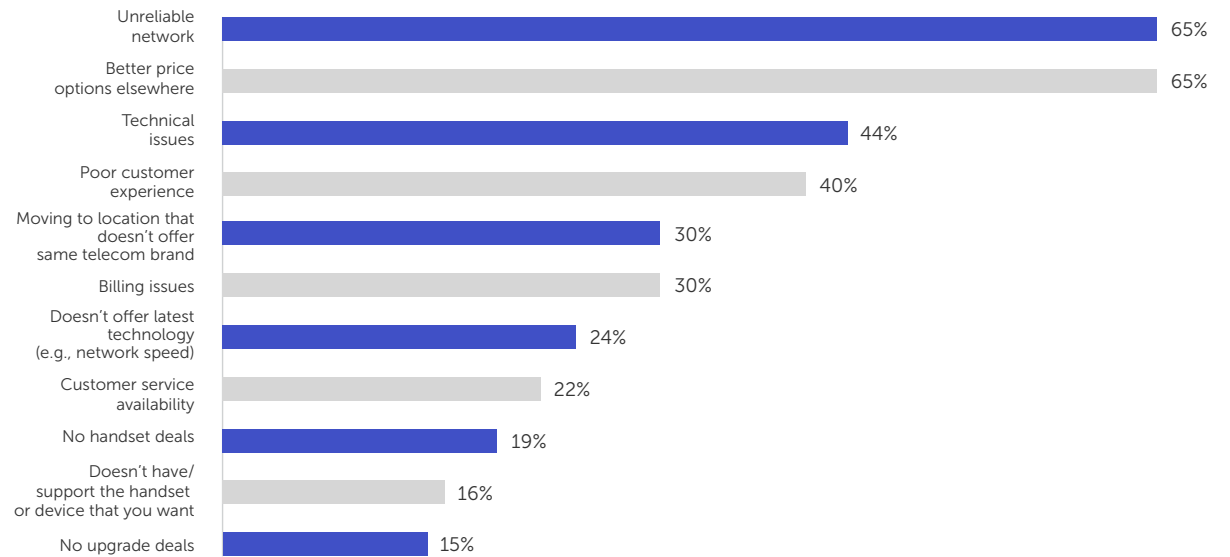
**Figure 21**

Reasons why German customers are less loyal to their mobile network provider compared to two years ago

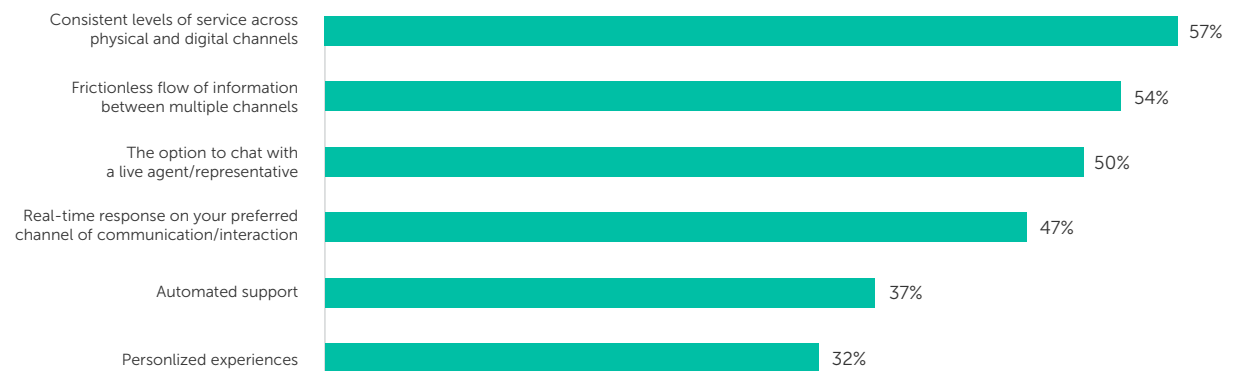
loyal to their mobile network provider than they were two years ago, the top responses focused on prices, negative customer experiences, and the availability of more choices than ever before (see Figure 21).

Similarly, when all respondents were asked what would cause them to switch mobile providers, an unreliable network and finding a better price elsewhere were tied as the top two reasons (with 65% each). These were followed by other technical issues (44%) and poor customer experiences (40%) (see Figure 22).

These findings suggest that the mobile sector is likely to remain volatile for the foreseeable future, and that customer loyalty will be difficult to earn. The opportunity for providers to increase loyalty will be largely based on their ability to improve the reliability of their networks and the consistency of their customer service (see Figure 23).



**Figure 22**  
Reasons why German customers would switch mobile network providers



**Figure 23**  
Percent of German customers who expect the following from their mobile network providers

France

## The retail and hotel industries most consistently meet customer expectations

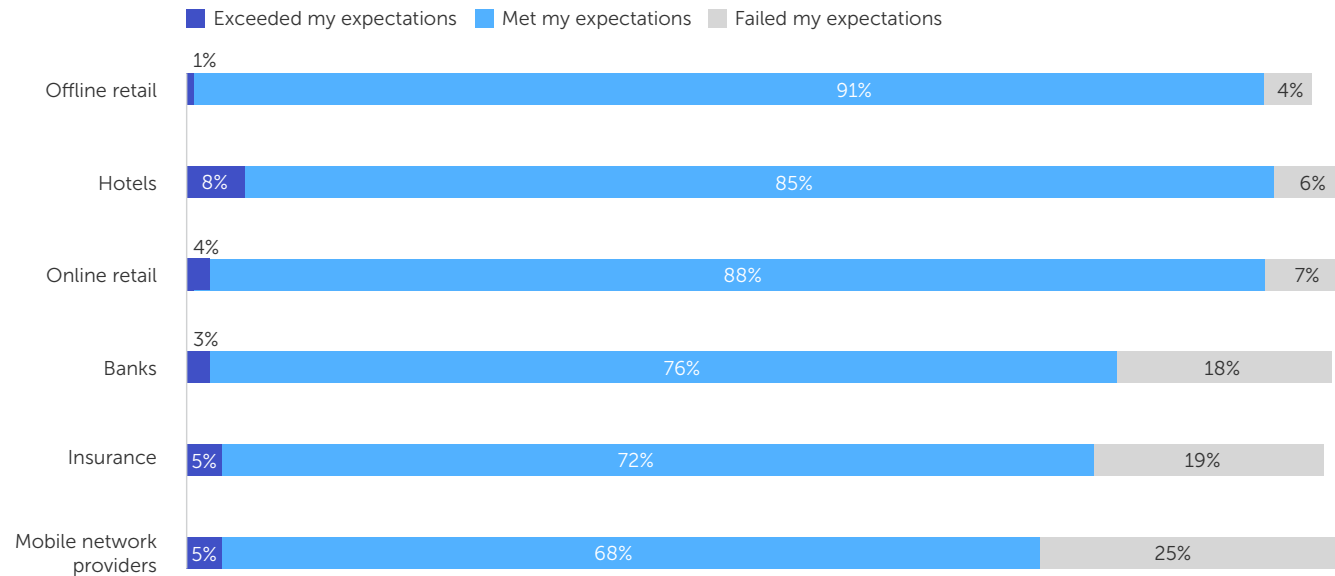
As with the other countries we examined, in France it is the retail and hotels sectors that are performing best in meeting and exceeding customer expectations. Between 92 and 93 percent of online shoppers, offline shoppers, and hotel guests indicated that their expectations were met or exceeded in their interactions with companies in

these industries over the last 12 months. In contrast, companies in the mobile network space and in financial services (banks and insurance) failed to meet customer expectations at a rate that was nearly four times higher, on average, than in the other sectors (see Figure 24).

A similar distinction between retail and hotels on one hand, and the financial services industries and mobile providers on the other, is apparent in French consumers' assessments of how the customer experience has

changed over the last year. While a clear majority of customers in all industries felt their experiences had remained much the same as in the past, for hotels and retailers the proportion that feel their experiences have improved exceeds the share who feel that things have gotten worse. Just four percent indicated a decline in the quality of their experiences over the past year for those three sectors.

**Figure 24**  
French customer responses to whether their expectations over the last 12 months were exceeded, met, or failed by sector



In contrast, for the services sectors (mobile, banks, and insurance), the quality of customer experiences declined as often as it improved, and the share of customers who reported declines was consistently larger. For instance, among insurance customers 14 percent claimed that their experiences had improved, but the same proportion claimed they had worsened. Among banking customers

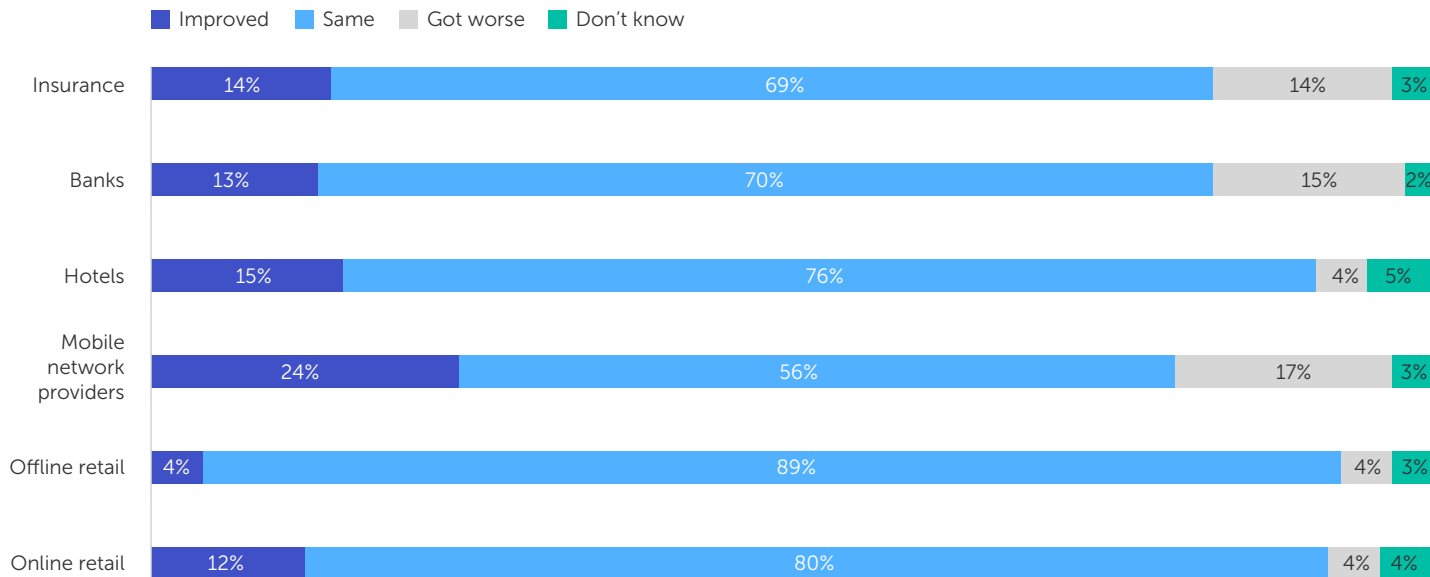
the proportion who said their experiences had worsened — 15 percent — was greater than the share that said they had improved, at 13 percent. And among mobile network customers, while the 24 percent who claimed their customer experiences had improved was the highest among all industries, the 17 percent who said their experiences had worsened was also the largest across all six sectors (see Figure 25).

## As elsewhere, consumer expectations in France are on the rise

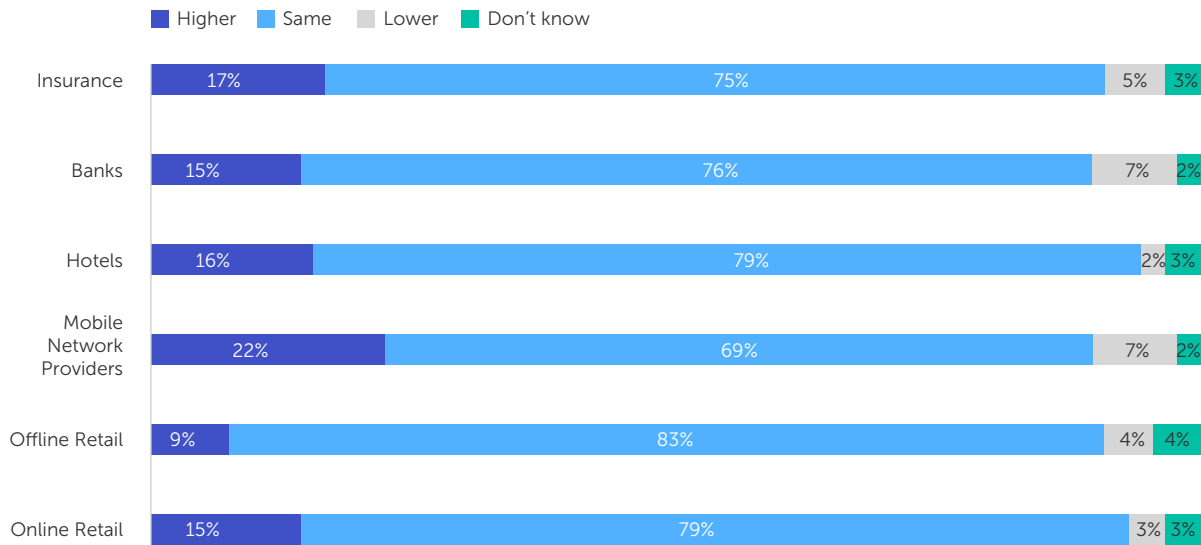
In France, as in the other markets we examined, consumers report that their expectations for the companies they interact with are growing. This trend is particularly apparent in

**Figure 25**

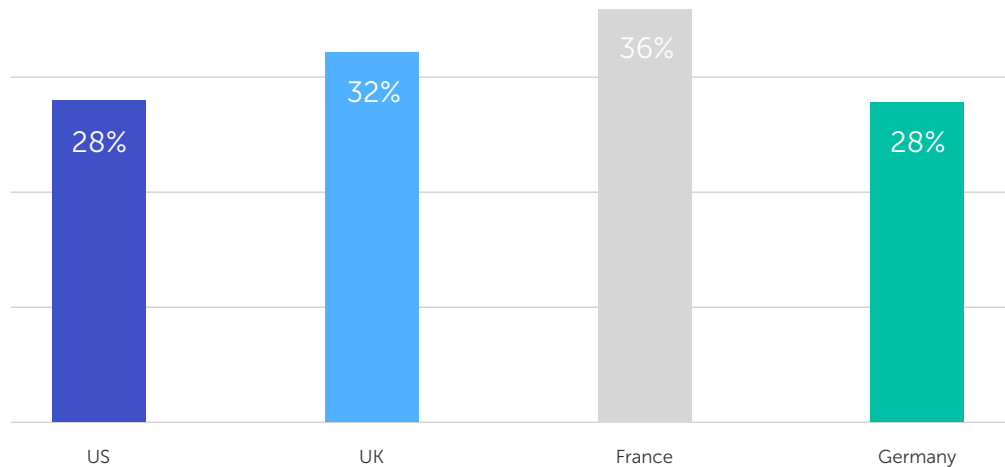
French customer responses to how their experiences have changed over the last 12 months







**Figure 26**  
French customer responses to how their customer experience expectations have changed compared to two years ago



**Figure 27**  
Percent of customers with higher CX expectations for an industry due to better CX provided by other sectors

mobile network services, where 22 percent of consumers claim that their expectations are higher for the sector than they were two years ago (versus 9-17% for the other sectors) (see Figure 26).

In addition, when customers who report that their expectations have grown were asked why they felt this had happened, they were more likely than their counterparts in other markets to make comparisons with other industries. On average, 36 percent of these customers said that other types of businesses offer better customer experience now, and so the specific sector they were asked about should, too. This figure is higher than for respondents in the US, UK, and Germany (see Figure 27). Further, the distinction between the higher performing sectors of retail and hotels, and the lower performing service sectors (mobile, banking, insurance), is apparent here as well. Whereas 41 percent of French consumers who were asked about mobile, insurance, or banking highlighted better experiences in other industries as a reason for their increased expectations, only 33 percent who were asked about their experiences with retail or hotels did so.

## French consumers report fewer moments of customer delight

Compared with American and German consumers, French customers are less likely to report that they experienced a noteworthy positive incident with a company in the past year. Across all six industries, an average of at least half of American and German consumers report such an experience, whereas on average only 36 percent

of French consumers do. British consumers more closely resemble the French in this respect, with 39 percent reporting a positive incident.

There are multiple possible explanations for this: it could be that companies in France are not striving as hard to provide excellent customer experiences, or it could be that French (and British) consumers are more difficult to impress. Either way, there is clearly considerable room for French companies to close the gap with their counterparts in other

countries, and to provide consumers with more rewarding experiences (see Figure 28).

## How can service industries more consistently meet customer expectations?

One reason that service industries such as mobile providers, banks, and insurance may be falling behind in meeting French consumers' expectations is that customers

Thinking about the businesses with which you have interactions, did you experience any of the following over the last 12 months?	US	UK	Germany	France
There was something particularly good/or one or a few small things that pleased you	51%	39%	50%	36%
There was a major complaint or problem / or one or a few minor problems or issues	16%	15%	15%	17%
Nothing particularly good or bad happened	33%	46%	35%	46%

**Figure 28**

Critical incident over the last 12 months

have higher expectations for more personalized services in these industries. For example, on average 60 percent of consumers in these three industries (including as many as 68% in insurance) report that they expect the option to chat with a live agent or representative. In contrast, an average of only 40 percent of consumers in retail and hotels (and as few as 30% in online retail) expect this option. In addition:

- An average of 49 percent of customers in mobile, banking, and insurance expect real-time responses on their preferred channel of communication (vs. 41% in retail and hotels)

- An average of 45 percent of customers in mobile, banking, and insurance expect personalized experiences (vs. 31% in retail and hotels)
- An average of 35 percent of customers in mobile, banking, and insurance expect automated support (vs. 26% in retail and hotels)

Service sector companies that want to improve customer satisfaction with their businesses would do well to pay attention to these expectations and to ask themselves

in what other areas their customers may want them to provide more convenient and personalized services (see Figure 29).



	Online retail	Offline retail	Mobile network providers	Hotels	Banks	Insurance
The option to chat with a live agent/representative	30%	42%	56%	49%	56%	68%
Real-time response on your preferred channel of communication/ interaction	40%	35%	45%	48%	48%	54%
Personalized experiences	26%	26%	36%	41%	45%	53%
Consistent levels of service across physical and digital channels	38%	36%	48%	49%	49%	49%
Automated support	27%	20%	31%	32%	33%	40%
Frictionless flow of information between multiple channels	29%	22%	36%	33%	35%	37%
Same day delivery to be available	28%	-	-	-	-	-
A personal shopper to be available	-	25%	-	-	-	-

**Figure 29**  
French customer expectations across industries

United Kingdom

## Hotels and Retail lead the way in customer experience

In the United Kingdom, there is considerable variation across sectors in the quality of customer experience. As in France and Germany, UK consumers gave retail (both online and offline) and hotels the highest marks, with over 90 percent of consumers agreeing that their experiences with these industries met or exceeded their expectations over the last year. The worst performing

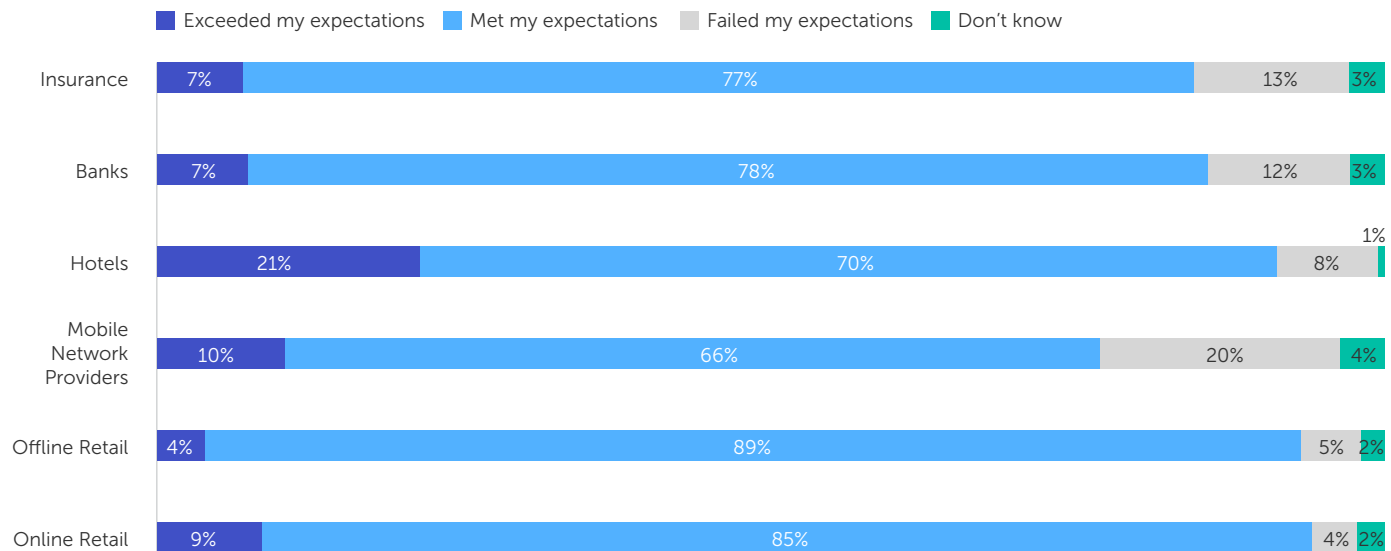
industry was mobile network providers: only 76 percent of consumers agreed that their experiences with these companies met or exceeded their expectations (see Figure 30).

Two of the top performing sectors, hotels and online retailers, also saw the most notable improvements in customer experience over the past year, as measured by the difference between the share of consumers who say their experiences got better and those who say their experiences got worse. Fourteen percent of British online shoppers

report an improvement in their online retail experiences, compared with three percent who say their experiences got worse (net improvement of 11 percent). The difference is even greater for hotels, where 20 percent of consumers report an improvement in their experiences over a year ago versus only five percent who report a decline (net improvement of 15 percent). In contrast, for both insurance companies and offline retailers,

**Figure 30**

UK customer responses to whether their expectations over the last 12 months were exceeded, met, or failed by sector



more consumers reported that their experiences with the industry had deteriorated than said that their experiences improved (Figure 31).

One reason that hotels and retailers are outpacing other sectors is that they were among the first UK industries to understand the importance of identifying opportunities to delight their clients, and to develop experiences that make the most of these moments to keep customers coming back. More than half (52%) of UK hotel guests report that they experienced something positive that pleased

them when staying at a hotel, and 47 percent of online retail shoppers report experiencing a positive incident when shopping online. In contrast, fewer than one third of mobile network providers, banking, and insurance customers say the same (see Figure 32).

### UK consumer expectations are rising across industries

Customer expectations are on the rise in five of the six sectors we examined, with a larger share of consumers saying their expectations

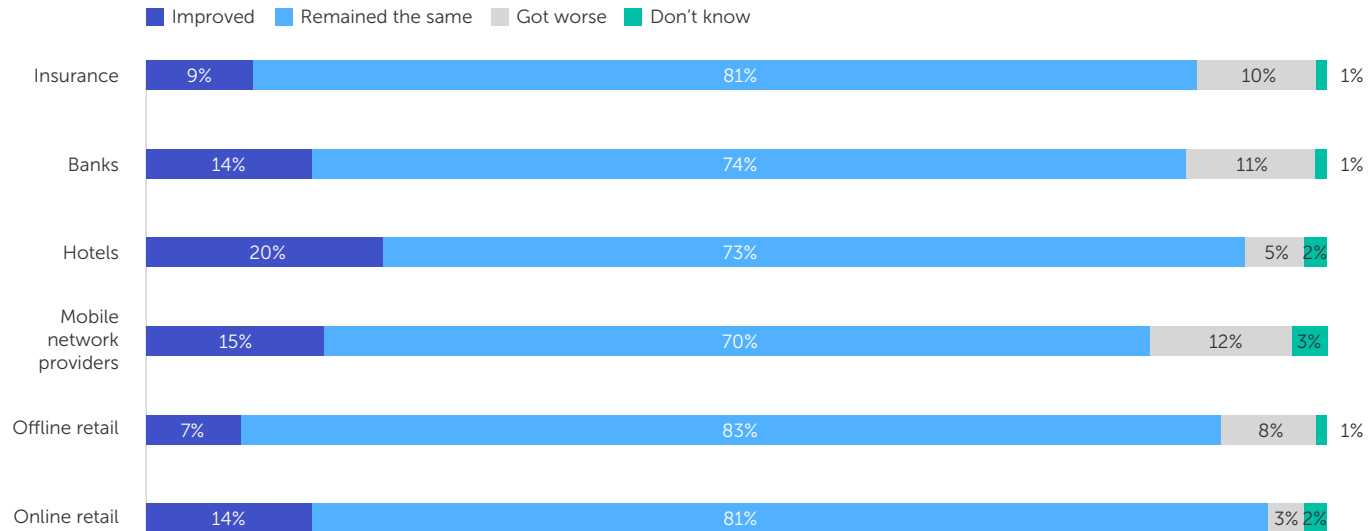
Online retail	47%
Offline retail	42%
Mobile network providers	33%
Hotels	52%
Banks	30%
Insurance	31%

**Figure 32**

Proportion of UK customers reporting a positive incident

**Figure 31**

UK customer responses to how their customer experience has changed over the past 12 months



have increased over the past two years than saying they have fallen. Impressively, the sectors where consumers report that their expectations have risen the most — hotels and online retail — are also the ones doing the best in meeting customer expectations. In online retail, the share of customers who report higher expectations outstrips the proportion who report lower ones by 18 percentage points (21% versus 3%). A similar picture is evident for hotels, where 18 percent say their expectations have increased while only 3 percent say they have fallen (see Figure 33).

## Industries that lead in customer experience also lead in loyalty

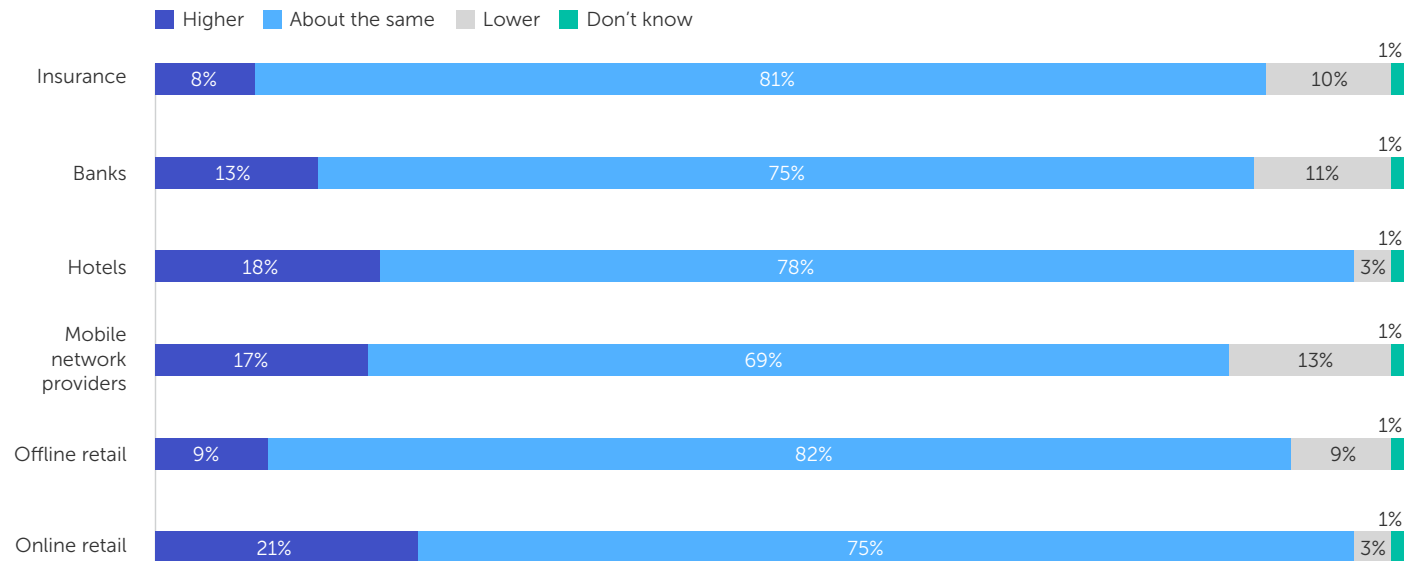
It is no surprise that hotels and retailers are leading the way in customer experience: with almost no barriers to switching brands, competitive advantage and repeat business in these highly competitive industries can only be achieved by delivering superior service. It is noteworthy, therefore, that these are also

the sectors that lead in customer loyalty. Over 80 percent of hotel and retail customers reported being similarly or more loyal to their preferred brands compared to two years ago. Further, online retail is the only sector where more shoppers report that their loyalty has increased (17%) than say it has declined over this period (10%).

In contrast, for banks, insurance, offline retail, and mobile networks, the proportion of customers who claim they are less loyal to their providers than in the past exceeds the

**Figure 33**

UK customer responses to how their customer experience expectations have changed compared to two years ago



share who say they are more loyal. What's more, in insurance and mobile networks, as many as a quarter of consumers report that they are less loyal compared to two years ago.

While there are several reasons for this, including a strong tendency to seek lower prices and the availability of more choices than in the past, negative customer experience also plays a key role: across all industries, roughly a quarter of customers who say they are less loyal than they were two years

ago indicate that this is because they switch brands after every negative customer experience (see Figure 34).

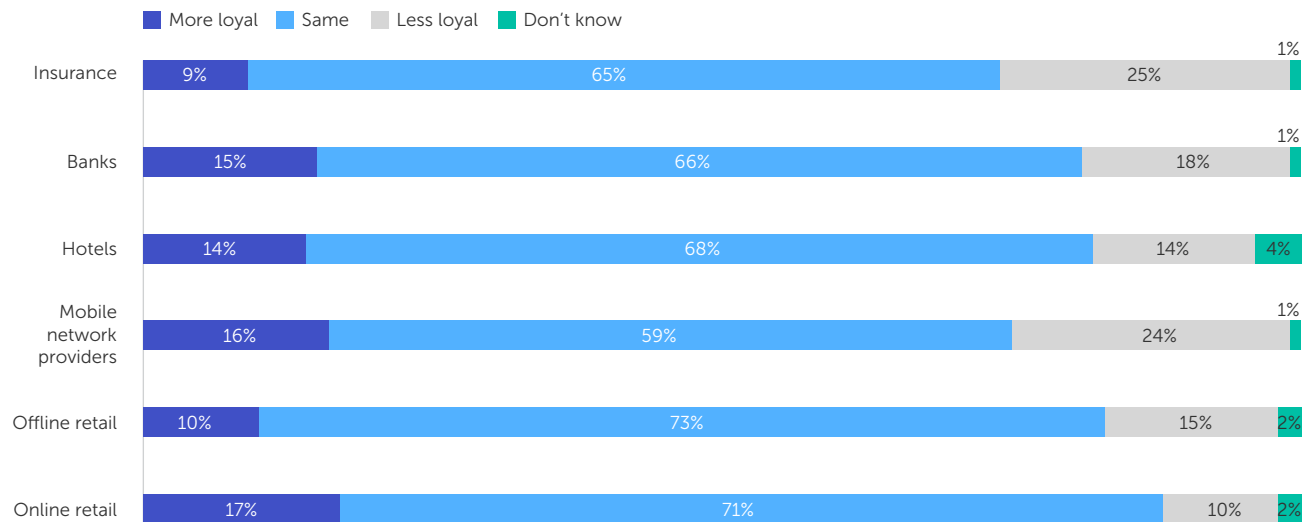
### Customer expectations vary by industry

As in France, UK consumers generally have higher expectations for the industries that rate lower on customer experience. For instance, on average 69 percent of customers in mobile networks, banking, and

insurance say they expect to have the option to chat with a live agent or representative, versus an average of 49 percent for retail and hotels. Likewise:

- An average of 64 percent of customers in mobile networks, banking, and insurance expect real-time responses on their preferred channel of communication (vs. 51% in retail and hotels).

**Figure 34**  
UK customer responses to how their loyalty to brands has changed compared to two years ago





- An average of 44 percent of customers in mobile networks, banking, and insurance expect personalized experiences (vs. 29% in retail and hotels).
- An average of 43 percent of customers in mobile, banking, and insurance expect automated support (vs. 31% in retail and hotels).

For UK service industry companies looking for ways to improve customer satisfaction, these areas represent an excellent place to start (see Figure 35).

	Online retail	Offline retail	Mobile Network Providers	Hotels	Banks	Insurance
Personalized experiences	22%	21%	34%	43%	50%	48%
Consistent levels of service across physical and digital channels	63%	54%	67%	67%	74%	64%
Frictionless flow of information between multiple channels	42%	36%	51%	51%	63%	54%
Real-time response on your preferred channel of communication/interaction	47%	47%	61%	58%	69%	62%
Automated support	40%	21%	42%	31%	50%	38%
The option to chat with a live agent/representative	42%	52%	70%	53%	70%	68%

**Figure 35**

UK customer expectations across industries



# Endnotes

<sup>1</sup> Defined as 'one or a few minor problems or issues' or 'a major complaint or problem.'

<sup>2</sup> Defined as 'something particularly good that pleased you' or 'one or a few small things that pleased you.'

<sup>3</sup> Other reasons to renew an insurance policy: high effort to switch providers (11%), automatic renewal of the insurance policy (5%), no choice/not the decision maker (4%), and other reasons (3%).

<sup>4</sup> See also Handelsverband Deutschland, "Online-Handel bleibt Wachstumstreiber - HDE-Prognose für 2018: Umsatzplus von zwei Prozent," 01/31/2018, [www.einzelhandel.de/presse/aktuellemeldungen/10965-online-handel-bleibt-wachstumstreiber-hde-prognose-fuer-2018-umsatzplus-von-zwei-prozent](http://www.einzelhandel.de/presse/aktuellemeldungen/10965-online-handel-bleibt-wachstumstreiber-hde-prognose-fuer-2018-umsatzplus-von-zwei-prozent).

## About Medallia

Medallia is the pioneer and market leader in Experience Management. Medallia's award-winning SaaS platform, the Medallia Experience Cloud, leads the market in the understanding and management of experience for customers, employees and citizens. Medallia captures experience signals created on daily journeys in person, digital and IoT interactions and applies proprietary AI technology to reveal personalized and predictive insights that can drive action with tremendous business results. Using Medallia Experience Cloud, customers can reduce churn, turn detractors into promoters and buyers, and create in-the-moment cross-sell and up-sell opportunities, providing clear and potent returns on investment. Medallia has offices worldwide, including Silicon Valley, Buenos Aires, London, New York, Tel Aviv and McLean, Virginia. Learn more at [www.medallia.com](http://www.medallia.com).

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Ipsos is an independent market research company controlled and managed by research professionals. Founded in France in 1975, Ipsos has grown into a worldwide research group with a strong presence in all key markets. Ipsos ranks third in the global research industry.

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Ipsos is the global leader in designing, managing and delivering value from CX Management programs. We turn our clients' customer strategies into a clear CXM action plan and deliver the insights, technology and change-management services to achieve their vision.

## Further Reading

To learn more about how CX makes or breaks a company, and how to provide a positive experience across the entire customer journey, read the Ipsos and Medallia study.

## Methodology

Medallia partnered with Ipsos to conduct a panel survey of 8,002 consumers from four countries—U.S. (2,002), UK (2,000), France (2,000), and Germany (2,000)—across six industry sectors: online retail (2,583), offline retail (2,574), banking, insurance, mobile network providers, and hotels. The collected sample was approximately matched to the census of each country on age and gender.

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