The ‘moment of truth’ in customer service

Focus on the interactions that are important to customers—and on the way frontline employees handle those interactions.

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In recent years, mature companies with far-flung networks of frontline sales staff—banks, retailers, airlines, and incumbent telecom providers, for example—have devoted a great deal of money and effort to retaining their current customers. As many academic studies have noted, the costs of doing so tend to be much lower than those of acquiring new ones.

Although companies are investing record amounts of money in traditional loyalty programs, in customer-relationship-management (CRM) technology, and in general service-quality improvements, most of these initiatives end in disappointment. According to Forrester research, only 10 percent of business and IT executives surveyed strongly agreed that business results anticipated from implementing CRM were met or exceeded.¹

What’s regularly missing, in our experience, is the spark between the customer and frontline staff members—the spark that helps transform wary

or skeptical people into strong and committed brand followers. That spark and the emotionally driven behavior that creates it explain how great customer service companies earn trust and loyalty during “moments of truth”: those few interactions (for instance, a lost credit card, a canceled flight, a damaged piece of clothing, or investment advice) when customers invest a high amount of emotional energy in the outcome. Superb handling of these moments requires an instinctive frontline response that puts the customer’s emotional needs ahead of the company’s and the employee’s agendas.

Executives typically struggle to transform the way a company responds to its customers. Some wrongly assume that the quality of emotional responses—what the author Daniel Goleman famously called “EQ,” or “emotional intelligence”—is so deeply programmed at birth or in childhood that it is impossible to influence. Others mistakenly try to script what are by definition spontaneous events, thereby removing authenticity and empathy from the customer experience. These missteps make it hard to foster appropriate behavior, to enhance the intrinsic emotional intelligence of employees, and to extend across the whole frontline network the excellence of exemplary individuals, branches, and offices.

During our work with companies, we have found a number of practical ways for them to overcome these challenges. In any industry that offers a service (or sells a product with an “embedded” service element), there are moments when the long-term relationship between a business and its customers can change significantly—for better or for worse. By supporting and developing the frontline emotional intelligence of its employees, it can ensure that more of those moments have a positive outcome.

**High emotion, high performance**

What is the link between emotionally charged moments of truth and the purchase decisions of customers? The experience of the retail-banking

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industry is instructive. McKinsey research in Belgium, Germany, and Italy recently identified the critical moments for customers as well as the prize awaiting banks that respond appropriately to them. McKinsey research on the customer experience in the United States arrived at the same conclusions. These moments often occur when the customer has a problem (such as a hold on a check or a need for a quick answer on a loan) or receives financial advice, either good or bad (Exhibit 1). By contrast, humdrum transactions (such as buying traveler’s checks) generally don’t offer the same opportunity to create an emotional bond with the customer. Many companies make the mistake of overinvesting in humdrum transactions but fail to differentiate themselves in the customer experiences that really matter.

The impact of frontline emotional intelligence on the bottom line is clear (Exhibit 2, on the next page). After a positive experience, more than 85 percent of customers increased their value to the bank by purchasing more products or investing more of their assets; just as tellingly, more than 70 percent reduced their commitment when things turned sour. That vote of no confidence won’t necessarily be immediate or visible, and it

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can take the form of shifting only a part of a customer’s business to another institution.

A North American bank found equally powerful evidence of the link between customer loyalty and value creation when it set out to explain striking differences in the performance of its branches—a more than 50 percent gap between the best and the worst as measured by share of wallet and customer retention. Surveys conducted by the bank pointed to a distinguishing feature of its better-performing branches: the ability to turn moments of truth to advantage by solving problems effectively and a willingness to emphasize the financial needs of customers over the branch’s own sales priorities. Growing loyalty toward the bank translated directly into a bigger share of the customer’s wallet. Similar research on and analyses of European banks typically expose a 20 percent gap in share of wallet between customers who have positive experiences and those who have negative or mixed ones.

Exhibit 3 tells the same story from a different perspective by showing how the aggressive behavior of some sales teams at leading North American banks generated negative moments of truth and has conspicuously weakened the reputation of these institutions. Retailers recognized this reality in the 1990s, when many of them changed their commission...
structure, pay formulas, and sales force training to encourage a less pressured buying environment because new market entries had provided consumers with a wider choice.

Given the clear link between moments of truth and share of wallet, every customer-facing business should identify the points of interaction relevant to its industry. In airlines, for example, there are about 30 of these potential service interactions, from reservations and upgrade requests to check-in, boarding procedures, and baggage handling. All offer the potential for moments when something goes so badly wrong that a customer defects. Only a few can provide positive moments—opportunities to intensify the customer’s loyalty to a carrier.

For airlines that serve the mass-market segment (exemplified by Southwest Airlines), these positive moments are created by personal care in handling

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**EXHIBIT 3**

**The downside of aggressive selling**

- **Meeting expectations**
  - % of respondents who answered 7 to following question (on scale of 1 to 7, where 7 is most positive)

- **Aggressive selling**
  - Average of responses to following statements (on scale of 1 to 7, where 7 is most aggressive)
    - Employees are too aggressive when I inquire about new products or services
    - The company is constantly trying to sell me something

35% of customers receiving large sum of money would place it in bank, while 47% of customers are extremely likely to select bank again as primary financial-services company

17% of customers receiving large sum of money would place it in bank

22% of customers are extremely likely to select bank again as primary financial-services company
a customer’s call, by resolving a problem, or by providing in-flight service. In fact, consumers rank Southwest as the number-one US airline, though it provides no onboard meals or preassigned seats and sometimes requires a lengthy wait to check in. Airlines that serve the business segment (for example, Singapore Airlines) must deliver during additional moments of truth—through speedy reservations and check-in procedures, for example, as well as individual attention during the flight.

Why behavior is the key
Standard responses to eliminate human error (IT systems, mechanistic CRM approaches, and complex protocols, for example) may smooth simple customer interactions, such as those in fast-food restaurants or remote-banking transactions. But pure technological solutions can never stoke the emotional connection between employee and customer—the kind of connection that characterizes positive moments in complex frontline situations. Some German banks, for example, find that customers who rely on remote-banking services are conspicuously disloyal despite the high quality of the offering. These banks attribute this disloyalty to the absence of any opportunity to form an emotional bond.

But when technology falls short, frontline employees can succeed with the right skills and competencies, as well as an appropriate range of deep-seated emotional and psychological assumptions. While most companies fully understand the importance of building capabilities (through training, for example), most ignore the mind-sets of their frontline employees. Mind-sets, as we define them, have three elements that largely govern human behavior: thoughts and feelings, values and beliefs, and personal emotional needs (both met and unmet). Consider, for example, the opportunity, missed by many top financial institutions, to meet the needs of people approaching retirement. These customers’ financial advisers may have a mind-set that makes them reluctant to help—a hesitancy that could stem from several sources: worry that they would be intruding on the customer’s privacy (thoughts and feelings), their lack of belief in the products and services they offer (values and beliefs), or a fear of rejection, stemming from a deeply rooted wish to be liked (met or unmet needs).
By contrast, exemplary advisers consider themselves guardians of the customer’s well-being and therefore have full confidence in what they sell and in their ability to communicate. This mind-set makes it easy to have successful conversations with clients, to understand their emotional and financial needs, and to perform well during moments of truth. Such advisers have the positive feelings, values, and individual needs—in short, the emotional intelligence—required to connect with and help customers at key moments.

Seizing the moment: How managers can help
Based on Goleman’s work and our own observations of working with companies, emotional intelligence in business settings typically manifests itself through four intertwined characteristics:

• A strong sense of self-empowerment and self-regulation, which together helps employees to make decisions right on the spot if that should be necessary

• A positive outlook, promoting constructive responses to the challenges of work

• An awareness of your own and other people’s feelings, creating empathy and facilitating better conversations with customers

• A mastery of fear and anxiety and the ability to tap into selfless motives, which make it possible for employees to express feelings of empathy and caring

To no small degree, these can be intrinsic features of a human being’s personality. Even so, companies—particularly those with far-flung networks of thousands or even tens of thousands of employees—can take practical steps to encourage and enhance them.

Companies can begin by hiring emotionally intelligent frontline employees in the first place

Companies can begin by hiring emotionally intelligent frontline workers in the first place: a business starts with an obvious advantage if it can attract people born or brought up with the right emotional instincts for frontline employment. Many companies can ride on the coattails of others with first-rate customer-facing skills, since the latter have already identified the most suitable type of employee for the work. More than half of the branch managers hired by
Bank of America in 2004, for instance, came from retailers (such as Best Buy, The Gap, and Safeway) outside of financial services. According to the bank, “They get the retail mind-set and we get them to understand banking. They like being up on their feet and don’t want to sit behind a desk.”

Recruitment, however, is only part of the story. We have increasingly observed that if companies understand and act on four key “environmental” levers, they can significantly influence the front line’s emotional intelligence. Activities inspired by these levers must be mutually reinforcing. When they are—and when a company’s senior managers understand the links between them—they help to create a workplace where excellent customer service can blossom and key moments of truth are handled deftly and successfully. The levers involve both carrots and sticks:

• Creating meaning and clarity of purpose for people in frontline work, thereby addressing their thoughts, feelings, values, beliefs, and emotional needs

• Improving the capabilities of employees—and influencing their mind-sets—so that they acquire the right emotional skills

• Putting structures, reward systems, and processes in place to back up these changes

• Enlisting frontline leaders to serve as role models and to teach emotionally intelligent behavior

Get meaning into people’s work

Employees deliver exceptional customer service—and perform well at moments of truth—only if they know clearly what they are supposed to do and why. (The “what” part addresses their intellectual selves, the “why” the subconscious feelings that motivate them to work.) Like any other good story, the answers to these questions ought to be clear, compelling, and resonant.

Efforts to help employees understand the “what” can be complex, but they are more successful when the material is presented as simply as possible. Companies should use general statements of values and principles,
repeat them regularly, and avoid the extensive protocols that undermine empowerment. Employees are unlikely to react spontaneously—or in an emotionally intelligent way—if they feel the weight of a lengthy and detailed rule book.

Which brings us to an understanding of the “why.” As everyone knows, a range of motives drives human beings: from the purely selfish (fear and greed) to the more creative, altruistic, and personally fulfilling (problem solving, artistic excellence, service to others). Great customer service companies are invariably good at allowing people to discover their motivations themselves. After all, these companies know that most frontline employees actually want to help customers and to gain their goodwill. The trick is to allow these employees to express this urge while simultaneously restraining their selfish motives, which experience suggests are incompatible with good behavior at moments of truth.

“People will work hard when they are given the freedom to do the job the way they think it should be done, when they treat customers the way they like to be treated,” observed Jim Nordstrom, the former copresident of Nordstrom. “When you take away their incentive and start giving them rules, boom, you’ve killed their creativity.”

Use learning through experience
Contrary to certain prejudices and misconceptions, employees can learn to behave in new ways. It is no good, however, if headquarters or store leaders tell the front line what to do. People learn only if they are motivated—hence the importance of meaningful work—and if what they learn is based on experience of what does and doesn’t work, of feeling good when something is done well, of watching and emulating role models. People learn emotionally intelligent behavior when they become aware of their own inhibiting mind-sets. They typically gain insight into these mind-sets through feedback, reflection on their own successes and failures, and stories about other people. The effort of self-discovery must be well guided by role models and led by managers, from the front line all the way to the top, who embody the desired mind-sets about the job, the customers, the company, its products, and its wider role.

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Align structures, systems, and processes

A deeper sense of meaning and a stronger set of emotional skills together make a strong foundation for handling moments of truth. But employees respond positively only if structures and systems consistently reinforce the message. It will be necessary, among other things, to create rewards both for behaving in certain ways and for demonstrating an ability to behave in new ways.

More specifically, companies should modify their performance-management systems to strike a balance between financial results and the things that really matter at moments of truth. Wachovia’s reward principles, for example, emphasize the importance of frontline performance during customer experiences such as resolving problems and providing sound financial advice. The bank creates accountability through Gallup surveys on all frontline employees to evaluate their performance against these principles.

Simplifying frontline processes is another key priority, for it not only gives employees time to perform more effectively at moments of truth but also reinforces the vital sense of empowerment. Employees often resist change because new initiatives come on top of their existing responsibilities and overwhelm them. One apparel retailer we know, for example, gave its frontline employees 20 percent more time to interact with customers by redesigning the inefficient processes it used to route products from the back of the store to the front. Bank of America applied Six Sigma thinking to important moments of truth (such as the opening of accounts) in its branches, thereby reducing the number of inputs and steps in the process so that sales associates had more time to build relationships with customers. The bank also created a “gatekeeper” role for an executive who reports to the head of the retail bank and coordinates and prioritizes initiatives such as product campaigns and the introduction of new technology.

Enlist frontline leaders and mentors

In the same way that grown-ups can’t teach children to control their emotions just by telling them to do so, training programs can’t teach adults to behave more appropriately. Children watch their parents; employees watch their leaders and adopt what seems to work and what they perceive to be acceptable to the company.

So it follows that role modeling succeeds only if the role models authentically exhibit the sort of emotions, such as empathy and self-confidence, that they should be passing on to others. Unfortunately, many frontline efforts fail because leaders, left to their own devices, tend to do what they feel most comfortable doing; for example, we have seen leaders in the insurance
industry—many of whom were previously high-performing salespeople—
continuing to sell instead of showing their subordinates how to sell. Yet
we know some insurance offices that perform 20 percent more effectively
than other offices, largely because the leaders of the high-performing ones
motivate and coach their people.

Raising the skill and the will of leaders involves the same degree of self-
discovery that frontline employees should experience; the difference is that
leaders focus less on the emotions needed to serve customers than on the
emotions required to help frontline staff perform well. The necessary skills
include identifying opportunities to improve the customer experience and
the company’s performance, coaching and having tough conversations with
employees, and facilitating frontline, store-based training—particularly
by creating an environment where employees can learn from “positive
deviants.” (This term, coined by Richard Tanner Pascale and Jerry Sternin,
refers to employees who excel in an imperfect system.)

Emotional intelligence may be largely innate, yet companies can take
concrete steps to improve the EQ of their frontline workers. Doing so
can pay off in improved interactions—and more profitable relationships—with customers.