

# 1st Annual Customer Expansion Marketing and Sales Conference

Altitude 360, London, 25 September 2019

Presented by the *International Journal of Sales Transformation* and Corporate Visions, Inc



#### Research and practitioner keynotes:

- Retention and renewal messaging
- Communicating price increases
- Upgrades and add-on selling
- Apologies that increase customer loyalty

#### Speakers:

- Professor Nick Lee – Warwick Business School
- Tim Riesterer, Doug Hutton, Leo Hanna – Corporate Visions
- Kevin Shirley, Lauren Olerich, Adam Joseph – GainSight
- Robert Sorrell – BT Global Services

#### Panel moderator:

- Nick de Cent, *International Journal of Sales Transformation*

# Customer Expansion Marketing and Sales Conference

Welcome to the inaugural Customer Expansion Marketing and Sales Conference.

Part of the *Journal's* mission is to support global sales leaders with robust original research that not only benefits sales organisations in their efforts to serve their customers, but will also enhance the profession as a whole.

However, research on its own is not enough; understanding how to apply it is essential – which is why we are delighted to be welcoming an impressive array of high-calibre speakers from industry and academia to explore the optimal messaging approaches to deploy in a variety of selling situations.

## Key studies

Distinguished academic Professor Nick Lee will walk us through a series of landmark studies that quantified how best to engage with customers under circumstances ranging from communicating a price increase to boosting customer loyalty following a service failure. He is joined by experts from Corporate Visions, who will interpret how sales leaders can best leverage the results of these studies to optimise our sales messaging in practice.

## Industry view

We will also hear from a series of practitioners who will complement the research findings with their own real-world experience. Marketing, Sales and Customer Success leaders from Gainsight will explain how they work together to make Customer Expansion a shared effort at their company, while BT Global Services head of sales enablement Robert Sorrell will approach customer expansion from an industry perspective.

## Join in

There will be plenty of opportunity for delegates to get their questions answered during Q&A and panel sessions, over lunch, and during breaks, so please do join in with questions and views – your contribution will significantly enhance the conference.

## Feedback

Finally, the Customer Expansion Marketing and Sales Conference is your conference, and we want to make it as useful as possible for participants. Please do let us know your views on the conference programme, content and speakers: what you found useful, what we should change, and what you would like more of.

Have a great day.

▼ **Nick de Cent:** Editor-in-chief, *International Journal of Sales Transformation*



▲ **Tim Riesterer:** Chief Strategy Officer, Corporate Visions

# Disrupt or defend?

✍ Tim Riesterer

*Delivering your most effective customer renewal message is your best opportunity to drive profitability. But what should that message be?*

When I last wrote for this publication, my piece addressed a messaging and skills approach for succeeding in what many B2B salespeople regard as the hardest but most rewarding type of sale: new customer acquisition. The skills approach I outlined in that piece dealt with messaging and selling effectively *when you are the outsider* trying to get in.

One of the most important takeaways in connection with this acquisition conversation is that, oftentimes, *your biggest enemy isn't who you think it is*. Contrary to what many sellers think, the other competitors in your industry *aren't* the biggest threat to your success. In reality, when you're the outsider trying to acquire a new customer, your most powerful adversary—the force you most need to defeat—is your buyer's status quo bias. That is, *their aversion to doing something different from what they're doing today*.

Your story, then, isn't so much about why a net new prospect should choose you. It's about why that prospect should change—why they should make a leap and leave their current situation in exchange for something different. The heart of your “why change” acquisition story—as I argued, and as our research confirmed—is a message based on what I call your prospect's “unconsidered needs.” These unconsidered needs are the challenges or missed opportunities your buyer doesn't yet know about. By identifying and introducing unconsidered needs, you create the urgency to change by revealing inconsistencies in their current situation and demonstrating clear contrast between your solutions and their status quo.

That, in a nutshell, is the disruptive story that defeats “status quo bias,” which you need to tell when you're the outsider.

*But what about when you're the insider?* What if you are the status quo, the incumbent, and the story you need to tell

isn't “why change?” but “why stay?” What if you already have significant market share, and a big part of your success depends on getting great customers to renew with you?

For many salespeople or account managers, executing well in this conversation is essential to hitting your numbers and driving growth. Also, for many companies, renewals are often where the customer starts to generate more profitability, as suppliers frequently spend considerable money to acquire and over-serve customers to achieve customer satisfaction during the initial contract.

Just as I laid out a research-backed approach for telling a more compelling acquisition story, I'm also about to share new study results that focus on developing, delivering and reinforcing the most effective renewal message.

To accomplish this, my company, Corporate Visions, once again contracted with Dr Zakary Tormala, an expert in messaging and social influence, to conduct a pair of studies designed to assess the effectiveness of various types of renewal messages. (Separately, Dr Tormala is a professor of marketing at the Stanford Graduate School of Business).

## “Why stay?” – testing for the most compelling renewal message framework

At a time when provocative messaging and insights-based approaches are sweeping the sales world, it's easy to think these methods are universally applicable, and will serve you equally well in any selling situation. But how effective do these disruptive approaches hold up when you already have, and you're trying to protect, existing customer relationships? Does your “why stay” message framework need to differ from your “why change” story approach?

That's what we wanted to test. Here's how we set up the study.

## Methodology

The online experiment included 402 individuals. At the outset of the study, they were instructed to imagine that they ran a small business and that

about two years ago they'd signed up with a 401(k) benefits\* provider to help promote their company's retirement plan to employees. The hope was that getting more employees signed up would boost employee satisfaction with the company and increase employee retention.

Participants were told to imagine that two years ago, only 20% of their employees subscribed to the 401(k) plan. In the two years since then, participation had risen to 50%, a positive sign, but still short of the 80% goal. During that same period, employee retention rates had improved, but it was difficult to say how much of that could be attributed to the company's promotion of its 401(k) benefits plan.

“*How effective do disruptive approaches hold up when you already have, and you're trying to protect, existing customer relationships?*”

Participants were then asked to imagine they were trying to make a decision about whether they should renew with their current provider or look elsewhere. When participants clicked through to the next screen, they received a message, or “pitch”, from their existing provider. What participants *didn't* know is that they were being randomly split up and assigned to one of *three different pitch conditions*.

The opening paragraph was the same for all participants, but then each message differed in important ways:

- **Status quo reinforcement condition** – In this condition, participants received an encouraging description of how the plan was working to date, and how the company was making progress toward its ultimate goals. They then received an additional message designed to reinforce the causes of the status quo bias (ie causes that make people averse to change). This additional piece emphasized how much effort

\*Editor's note: a 401(k) plan is a US retirement savings plan sponsored by an employer.

went into selecting the current provider originally, while highlighting the risks and costs associated with changing providers now.

- **Provocative pitch condition** – In this second condition, the message documented the results to date before introducing a new idea that challenged their current approach. In this case, the

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**Provocative messaging could actually backfire when it comes to convincing customers to renew with you**

message noted that it can be harder to move from 50% to 80% participation than it was to move from 20% to 50%. Making that move, the message continued, might even require different tactics, such as switching the plan from an “opt-in” approach to an “opt-out” one that defaults all employees into participating in the 401(k) plan. The provider would help make this change, pushing the company toward achieving its goals.

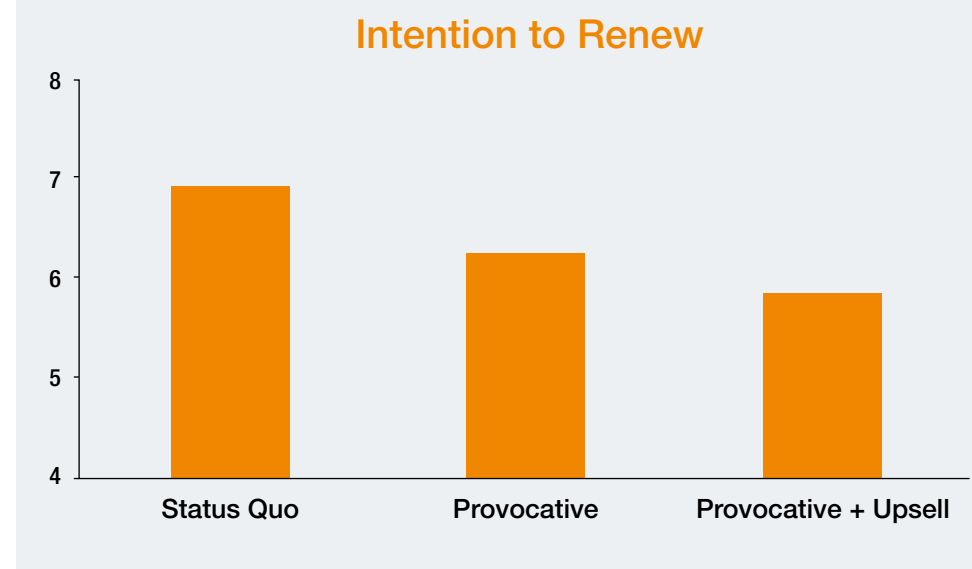
- **Provocative pitch with upsell** – This message was the same as the provocative pitch above, with one small difference: the message offered participants a series of online tools for employees that ostensibly would increase their engagement in reaching their goals. These new tools would add 5-15% to overall programme costs, with an anticipated payback in less than 12 months.

After hearing their respective pitches, participants answered a series

of questions designed to assess their reactions to the messages and measure the persuasive impact within the renewal context. These questions focused on participants’ intention to renew, attitudes toward the vendor, likeliness to switch, and vendor credibility. Each was accompanied by a scale ranging from

- **13% increase** in intentions to renew, compared with the two provocative messages (see **Figure 1**). To measure this, participants were asked how likely they would be to renew with their current provider and how likely it was that they would stick with that provider.

Figure 1: Intention to renew across three different messages.



1 to 9, labelled such that higher scores indicated higher values on the dimension assessed. Responses to these questions were then averaged to form a composite index for each dimension.

**Across all measures, the status quo reinforcement message outperformed the provocation and upsell messages by statistically significant degrees.** The message that documented success and reinforced the status quo bias showed a:

- **9% boost** in positive attitudes, compared with the other two message conditions. Participants had much higher impressions of the provider than in either of the messages that challenged their current approach with a new idea.
- **7% boost** in credibility, compared with the two provocative conditions. Participants answered three questions that assessed credibility, trustworthiness and the level of

confidence instilled by the provider’s message.

Perhaps most importantly, participants also answered three questions designed to measure to what extent they intended to switch providers or look elsewhere after hearing each pitch. Once again, there was a statistically significant effect. But, as illustrated in **Figure 2**, this time it went in the opposite direction, with the study finding that participants in the *provocative conditions* were **10% more likely to switch or shop around** than participants in the conditions that reinforced the status quo.

on how to apply them to your renewal message:

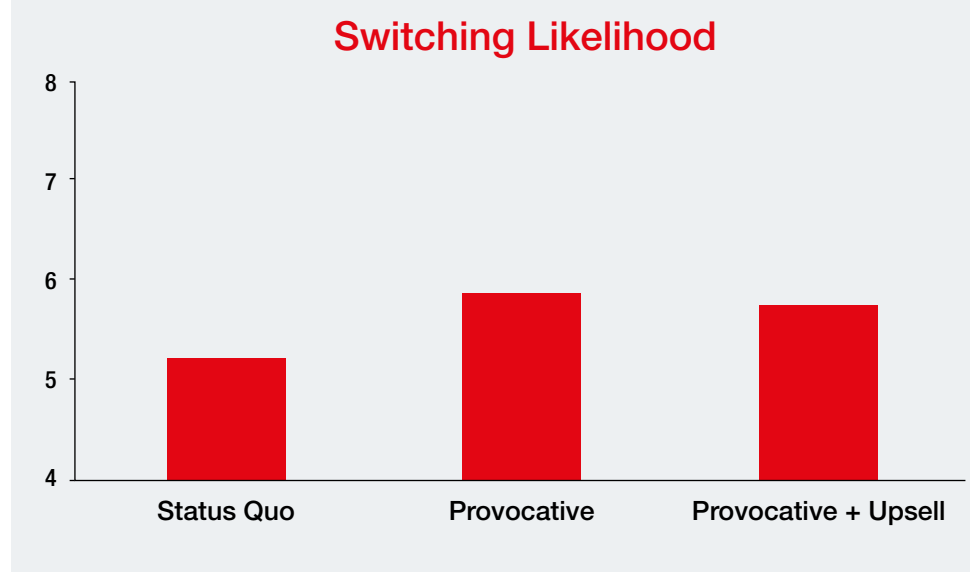
- **Preference stability** – Remind customers of the long, difficult process they went through to make their original decision to choose you. People prefer to keep their previous decisions and preferences understood as valid and stable. You must deliberately reinforce this in your renewal messaging.
- **Perceived cost of change** – Take them through the startup costs and other resource requirements that were invested but, now been returned through improved performance and

are now part of the ongoing operating budget. People believe change costs more than staying them same, and you’ll do well to reinforce that.

- **Anticipated regret and blame** – Remind them of how much progress they have made to date. Also, recount for them how much effort has it taken to ramp up the new solution, onboard everyone, manage the changes, and get the implementation running well? Another change risks stalling or taking a step backwards and only leaves them vulnerable to these same potential failure points again.

- **Selection difficulty** – Concede that most other solutions on the market provide similar capabilities, and that the competitors haven’t changed significantly since the original purchase decision. People struggle to change if they don’t see enough contrast between alternatives. And, while it may seem counter-intuitive, there is less pressure to prove competitive differentiation during a renewal discussion. In fact, it may be more optimal to demonstrate that you are more alike.

Figure 2: Likelihood to switch across three conditions.



If there’s one overarching takeaway to draw from this study, it’s that the provocative messaging approaches seemingly so in fashion today might not hold up as well within a renewal selling context. (Unlike in our previous research, which showed these approaches *will* be effective in a net new customer acquisition selling scenario). In other words, provocative messaging could actually backfire when it comes to convincing customers to renew with you.

In his study “The Psychology of Doing Nothing: Forms of Decision Avoidance Result from Reason and Emotion,” Christopher Anderson proposes four causes of the status quo bias that tend to hold people back from committing to change.

To tell a compelling renewal story, companies will want to consider how to reinforce these causes – and thus reinforce themselves as the status quo.

Below are the four causes of the status quo bias, and some commentary

## Research into customer lifecycle messaging

In a recent article in this journal we covered research looking at the concept of developing and delivering a more effective customer acquisition or “why change” story (see “Have you thought about this?” in the *International Journal of Sales Transformation* 1.2, July 2015, pp 38-39). It spoke to the power of introducing “unconsidered needs” to disrupt the status quo.

After that work was published, companies kept asking us what if anything would be different in communications with existing customers, as they sought to ensure their business. This article examines brand new research focused on finding the most effective approach to the customer renewal or “why stay” story.

We are also enthusiastically announcing an extension of all this research with a new research project in partnership with Warwick Business School professor, Nick Lee, and this journal. The goal of that forthcoming research is to address the next tricky conversation that salespeople will inevitably have, which is: “What’s the best way to communicate a price increase or “why pay” story? The results of that study will appear in the next issue of this publication.

Meanwhile, we’ve also put together an industry survey that deals with important themes connected to communicating price increases. We invite you to take the survey here (link is case-sensitive): <http://ovi.to/PriceSurvey>







## A framework for renewal messaging: how to reinforce the status quo when you are the status quo

While our research revealed that reinforcing the four causes of the status quo bias are superior to provocative messaging in a renewal setting, we wanted to get more specific and prove an exact framework that works best. That was the focus of a follow-up study.

### Methodology

For this online experiment, also conducted with Dr Tormala, we recruited 380 individuals. The participants were given the exact same hypothetical situation as those in the previous study. But this time, all of the pitches focused on reinforcing the four causes of status quo. Instead we manipulated certain parts of the message to test various frameworks for any statistically significant differences.

The first dimension we tested was whether the renewal framework should document performance results *before or after* messaging that reinforces the status quo.

The second dimension we tested was whether the framework should give *more or less explicit* detail on any ongoing improvements made to the solution during the initial terms of the contract.

All told, the study included four

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*If there's one overarching takeaway to draw from this study, it's that the provocative messaging approaches seemingly so in fashion today might not hold up as well within a renewal selling context*

different message conditions, each with a different combination of information order and level of detail.

The questions participants answered after receiving each pitch were designed to assess switching intentions, willingness to pay, trust and message quality. Overall, the data indicated that: (1) documenting results before reinforcing the status quo was a more effective strategy than reinforcing the status quo before documenting results, and (2) offering more detail about recent advances was a better strategy than offering less detail. More specific results are described below.

### Switching intentions

First, to assess switching intentions, three

questions asked participants how likely they would be to shop around for other providers, to switch companies and try a new provider, and to consider discounted offers from competitors. Responses to these questions were averaged to form a composite index of switching intentions. Results indicated that although order did not have a statistically significant effect on switching intentions, there was a tendency for participants to be less likely to switch when the provider documented results first as opposed to reinforcing the status quo first.

Moreover, there was a statistically significant effect of detail on switching intentions. Participants indicated that they were *less* likely to switch or shop around for a new provider when the message contained more explicit detail. On average, participants were 7.36% less likely to switch in the more- compared with less-detail condition.

### Willingness to pay

Participants also reported how much they would be willing to pay monthly to renew with their current provider. In this case, responses were provided on a scale ranging from 0-100% of their current rate, in 10% increments. This measure revealed a significant effect of the order manipulation, such that participants were willing to pay 6.59% more when the provider documented successful results before reinforcing the status quo (73.61% ➤

How do you most effectively reinforce the status quo? Below is the situation, as well as the winning and losing message conditions, from the study.

### Situation

Imagine you're running a small business and, two years ago, you decided that you needed to improve your employee satisfaction and retention rates, because your turnover is too high and it's expensive to have to hire and train new people.

You took several steps, including signing up with a vendor who could help promote your 401k retirement plan to your employees. You hoped that increasing employee participation would boost employee satisfaction and reduce turnover. At the time, only 20% of your employees subscribed to the 401k, plan, and you hoped to get that to 80%, which is a benchmark for businesses with world-class employee retention rates.

You went through a rigorous process to evaluate providers. Most were similar, but you found a company that seemed like they could meet your needs. You signed a two-year contract and now it's time to renew with them, select another vendor, or go back to handling it yourself.

The vendor did a nice job kicking off the programme and creating buzz. You had expected them to do more to promote the programme the entire two years, but they generally provided good customer service to you and your employees.

Employee participation improved to 50% (from 20%), but you fell short of your goal of 80% participation. Employee retention rates also have gone up, but it's hard to say how much of that was because of the change in how you handled and promoted 401k plans. You've met recently with some of the other providers you originally considered to see what's changed in the last two years, and make an informed decision. They've all made improvements and introduced new features. Some have appealing capabilities, but nothing that stands out. Keep this in mind as you listen to your current provider tell you why you should continue doing business with them.

### Winning condition

**Document results** – You have made great progress on your goals over these last two years. You've seen 401k participation grow from 20% to 50%. Your employee satisfaction scores are up, and you've said some employees have even taken the time to thank you for the changes you've made. In addition, your employee retention rates have started to improve, which you said was the ultimate goal of making these changes.

**Preference stability** – When you signed up two years ago, you really did your homework and looked at a lot of options before getting your entire team to come to a consensus and choose our company. It was a long process that involved a lot of people, but you ultimately arrived at a big decision to bring this program on board.

**Anticipated regret/blame** – As you look at making a renewal decision, it's important to realize that you are at

a critical point in this journey and that it's important to maintain momentum to achieve your ultimate participation and retention goals. Any change to the programme at this point could create an unnecessary risk of losing the positive gains you've made.

**Perceived cost of change** – Not to mention that bringing in another vendor would require you to invest time in getting them up to speed and money on implementation costs and other changes that you won't have to spend if you continue working with us.

**Selection difficulty** – We've also continued to update and tweak your programme over the last two years to make sure you are keeping pace with anything else available in the market today. Specifically, you will get two new features designed to help improve your goals of employee participation and satisfaction:

The first is a monthly report that shows how many tax dollars your 401k participants saved versus those who aren't in the 401k. You can share this with your employees monthly to provide a gentle nudge to get into the programme for the tax benefits. Second, we've also added a new smartphone app with retirement planning calculators and budgeting tools to help your employees make more informed decisions, and feel like they're making progress on their goals.

You're making great progress. Stick with our programme for another two years, and I know you'll get to your 80% participation goal and further increase your employee retention rates.

### Losing provocative condition

**Documented results** – You have made great progress on your goals over these last two years. You've seen 401k participation grow from 20% to 50%. Your employee satisfaction scores are up, and you've said some employees have even taken the time to thank you for the changes you've made. In addition, your employee retention rates have started to improve, which you stated was the ultimate goal of making these changes.

**Provocative insight** – This is great progress, but we've seen that for many companies it can be harder going from 50% to 80% than it was going from 20% to 50%. The latest research shows that it's no longer just about improving communications of the benefits of contributing to the 401k. In fact, companies that achieve world-class participation rates are actually "flipping" their approach to enrolment. Instead of the traditional "opt-in" approach to enrolment where people sign up for the plan, these companies are automatically enrolling their employees in the 401k plan, and requiring them to fill out a form to "opt-out" of participating.

**New and improved solution** – We can switch your programme over to this "opt-out" approach and waive any additional set-up and administrative costs in exchange for renewing our partnership for the next two years. We're looking forward to working with you over the next two years to adopt this approach and reach the world-class goals you've set.



of their current rate) rather than vice versa (67.02% of their current rate). There was no effect of level of detail on willingness to pay.

### Trust

Participants also indicated how trustworthy they found the provider to be. On this item, there were statistically significant effects for both order and level of detail. Participants reported greater trust in the provider when the provider's message first documented successful results (rather than reinforcing the status quo) and when it offered more rather than less detail about recent advances. On average, the "results first" messages outperformed the "status quo first" messages by a margin of 5.49%, and the more detailed messages outperformed the less detailed messages by a margin of 4.72%.

### Message quality

Finally, participants rated the provider's message on several scales assessing how thorough it seemed to be, how much evidence it contained, and how unique it was. There was no effect of order on

these ratings, but there was a significant effect of level of detail. Participants rated the message as higher quality (more thorough, more evidence-based, more unique) in the more detail condition compared with the less detail condition. On average, the more detailed messages outperformed the less detailed messages by 6.36% on this index.

Across multiple dimensions, the "document results first" and "more detail" messages proved more persuasive than the "status quo first" and "less detail" messages, respectively. Although there were differences across measures in terms of which effect reached statistical significance, the overall pattern of results points to the greater effectiveness of documenting results at the outset of the message and using more explicit detail in highlighting recent advances when employing a message focused on reinforcing the status quo.

*Stay tuned: This research is a kick-off study for an additional piece of research to be conducted with (and unveiled in) this publication. The follow-up study will focus on one of hardest conversations salespeople ever have: How to effectively communicate price increases with customers.*



### About the author

Tim Riesterer is Chief Strategy and Research Officer, Corporate Visions.

### Further reading

<https://pdfs.semanticscholar.org/069f/8e0c981d32244ebe480a17019bc9360e725c.pdf>

# When challenging the customer backfires

✎ Nick Lee & Tim Riesterer

*There's a proper time to provoke the customer – it's just not when you're trying to keep them or get them to pay more, research shows.*

Provoking the customer, challenging the status quo, leading with an unexpected insight: these kinds of message are the lifeblood of the disruption-minded story you need to tell when you're the outsider intent on convincing your prospect to change and choose you.

This "why change" story is highly effective at unseating your prospect's incumbent provider and winning new business. An article in the previous issue of this publication referenced Corporate Visions research which revealed that identifying and introducing an "unconsidered need" – as opposed to responding only to prospects' stated, known needs – can give you a significant edge in terms of creating the urgency to change.

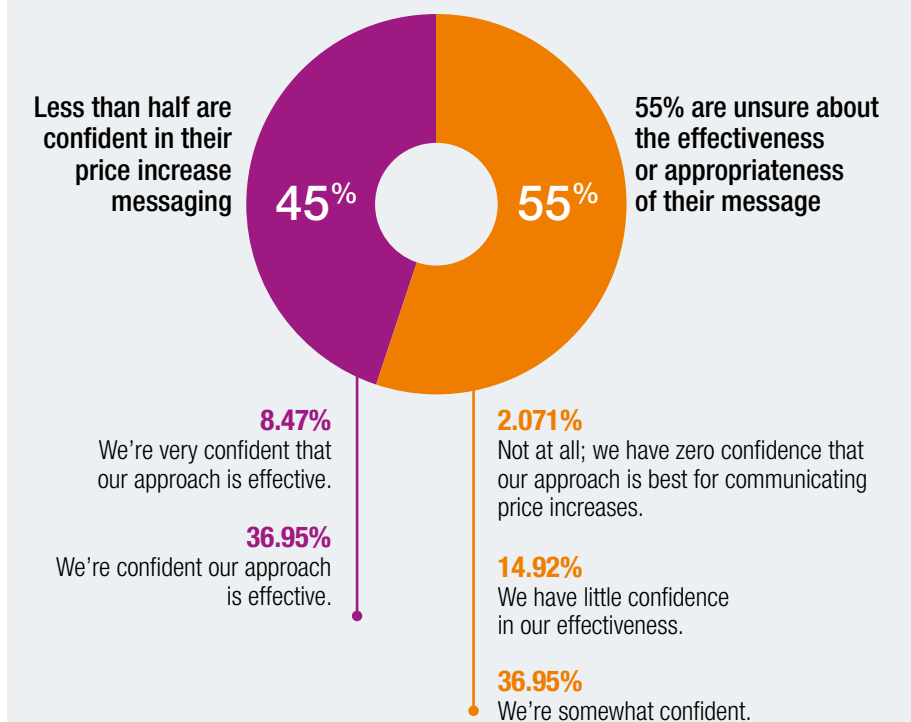
However, new customer acquisition isn't the only selling situation practitioners face – far from it. Sometimes, you're the insider. Sometimes you *are* the status quo.

What subsequent research confirmed is that the provocative, insights-driven approach – which fared so well in terms of acquiring new customers – didn't hold up when it came to securing renewals (what we've called the "why stay" conversation). In fact, as was covered in the previous issue, the provocative approach performed far worse in the context of renewals compared with a messaging approach – or framework – that documented business results to date and reinforced the causes of status quo bias.

The research wasn't an indictment of provocation-based selling approaches *per se*, which enjoy so much popularity today. Rather, the study was an acknowledgement of the limits of that approach, a warning sign about the dangers of applying those selling

Figure 1.

How confident are you that the way you structure and deliver your price increase message is the most effective for communicating price increases and creating positive outcomes?



techniques to every selling scenario you face.

Building on that research, we wanted to learn more about a related customer dialogue that often goes hand-in-hand with renewals: price increases – or what we're calling the "why pay" message.

### "I need you to pay more"

No matter how you spin it, that message is one of the trickiest, most delicate that salespeople will ever have to communicate to customers, not least because it can veer in the wrong direction, and fast. Yet, for companies with aggressive growth goals who need to get more value from their top accounts, it's also one of the most essential.

As a precursor to the academic research around communicating price increases, Corporate Visions partnered with this publication to conduct a joint survey to get a read on how customers were handling price increases today. What the survey uncovered, among many things, is that this is a conversation that matters to B2B organizations – though you might not know it given the lack of messaging strategy and structure companies are putting toward it.

The survey found that **nearly two-thirds of B2B professionals believe price increases are "very important" or "mission critical" for maintaining desired profitability and revenue growth (Figure 1).**

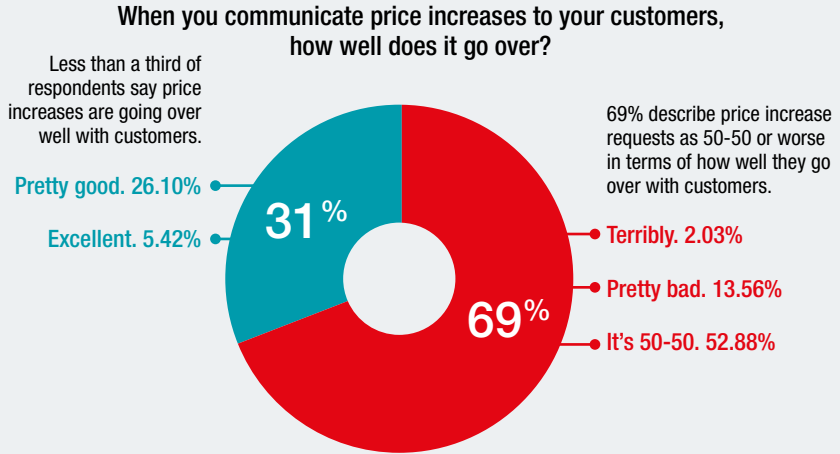
But get this: **Fewer than half of respondents (45 percent) are confident** >



in their approach to communicating price increases. This probably explains why nearly four out of five companies (79%) want a more formal and strategic approach to how they handle this message.

That's no surprise, given how poorly this message is going over with customers. Almost 70% of companies (69%) in our survey say their success rate is "50-50" or worse in terms of how it is being received by customers. That leaves less than one-third of companies (31%) feeling good about how their price increase messaging is going over (Figure 2).

Figure 2.



The consequences of this conversation going poorly aren't hard to imagine. At worst, it could mean concerning levels of churn. At best, it could mean you're forced to negotiate a much lower increase than the one you requested – or no increase at all – just to keep your customers. Besides your profitability being on the line, a poorly executed price increase message carries the additional risk of damaging customer loyalty in a way that makes customers susceptible to a competitive alternative.

Strategic importance

The strategic importance of handling price increases well shouldn't be underestimated, either. Companies often make decisions to get new business in the door that include offering too-good-to-be-true pricing and concessions, hoping to then "land and expand". Recovering whatever discounts you might have had to offer to win business in the first place might involve cross-selling and up-selling additional services, but it might also call for a strategic effort

to begin inching the price back up to respectable rates.

In other words, ongoing investments in servicing accounts and improving solutions – not to mention the rising cost of goods – all end up in the same spot: a post-purchase price increase conversation.

If the survey results reveal anything, it's that companies appear to know they're leaving money on the table, getting less than they want or even need from customers. That's why we collaborated on original research that would provide answers to the following questions: **What is the most effective**

One of the steps these business owners took included signing up with a vendor who could help promote the company's health and wellness programme for employees. The hope was that increasing employee participation would also increase employee satisfaction and reduce turnover. At the time, only 20 percent of employees subscribed to the health and wellness programme. The goal was to increase that to 80 percent: the benchmark for businesses with world-class employee retention rates.

The two-year contract signed by the company was nearing its conclusion, and it was time to renew with that vendor or choose an alternative.

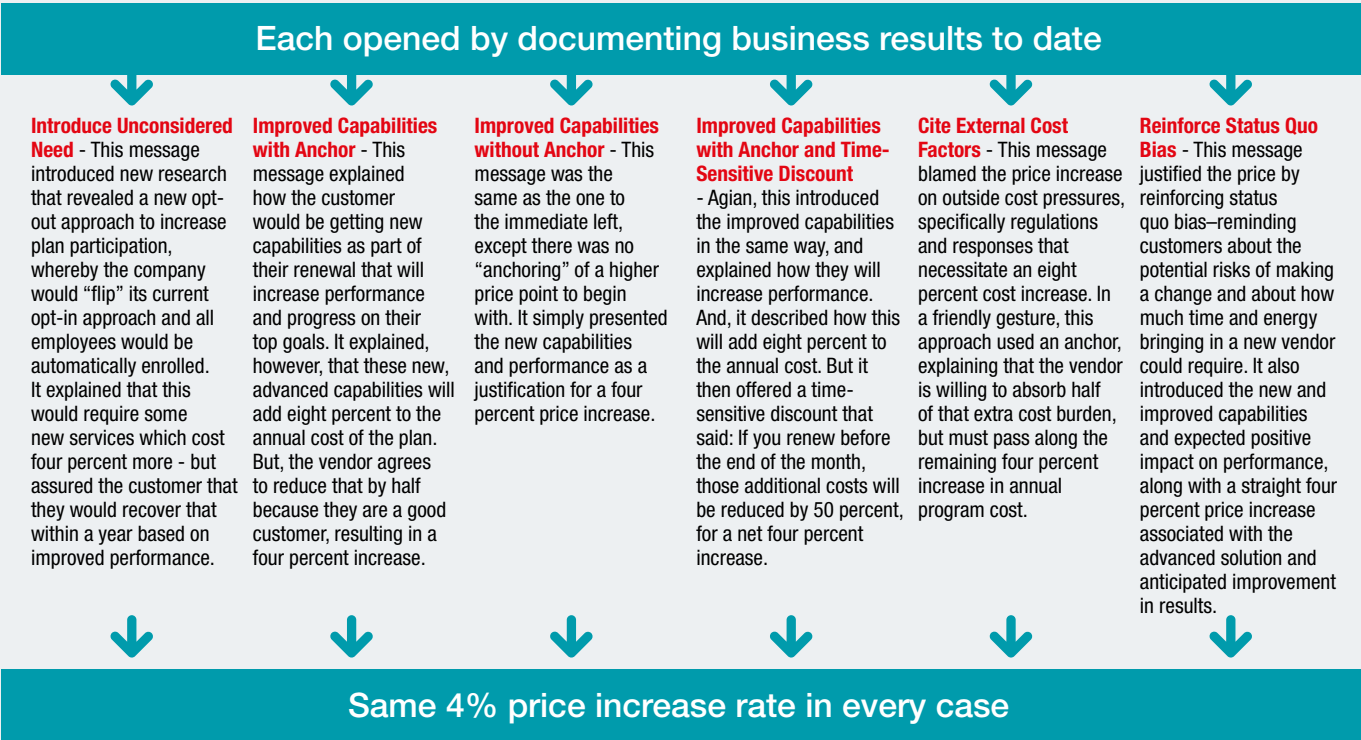
Participants were told they'd recently met with some of the other providers they originally considered to see what's changed in the past two years: they've all made improvements and introduced new capabilities; and, while some of the improvements are appealing, nothing really stands out. In addition, pricing appears to be similar to what they are already paying.

However, **the current vendor partner is now asking for a price increase for the next two-year agreement.**

But here's what participants didn't know: they were divided randomly into six groups and placed into different message conditions, each of which took a different approach to framing the price increase. Importantly, in each condition, the message opened by documenting the business results to date, and all of them proposed the same 4% rate of increase to the annual cost of the programme. The six approaches (figure 3) are described below:

1. **Introduce Unconsidered Need** – This message introduced new research that revealed a new opt-out approach to increase plan participation, whereby the company would "flip" its current opt-in approach and all employees would be automatically enrolled. It explained that this would require some new services, which cost 4% more, but assured the customer that they would recover that within a year based on improved performance.
2. **Improved capabilities with anchor** – This message explained how the customer would be getting new capabilities as part of their renewal to increase performance and progress on their top goals. It explained, however, that these new, advanced capabilities would add 8% to the annual cost of the plan. However, the vendor would agree to reduce that by half because they were a good customer, resulting in a 4% increase.
3. **Improved capabilities without**

Figure 3.



**anchor** – This message was the same as the one above, except there was no "anchoring" of a higher price point to begin with. It simply presented the new capabilities and performance as a justification for a 4% price increase.

4. **Improved capabilities with anchor and time-sensitive discount** – Again, this introduced the improved capabilities in the same way, and explained how they would increase performance; and, it described how this would add 8% to the annual cost. However, it then offered a time-sensitive discount that said, if you renew before the end of the month, those additional costs would be reduced by 50%, for a net 4% increase.
5. **Cite external cost factors** – This message blamed the price increase on outside cost pressures. Specifically, regulations and responses that necessitated an 8% cost increase. In a friendly gesture, this approach used an anchor, explaining that the vendor was willing to absorb half of that extra cost burden, but must pass along the remaining 4% percent increase in annual programme cost.
6. **Reinforce status quo bias** – This message justified the price increase by reinforcing status quo bias – reminding customers about the potential risks of making a change, and about how much time and energy bringing in a new vendor could require. It also introduced

the new and improved capabilities and expected positive impact on performance, while proposing a straight 4% price increase associated with the advanced solution and anticipated improvement in results.

After participants received their respective messages, they answered a series of questions designed to assess its impact. The questions were accompanied by scales ranging from one to nine, labeled such that higher scores indicated higher values on the dimension assessed. Responses to the questions were then compared across the groups.

Results

The experiment revealed that the provocation-based message that introduced an unconsidered need was the least effective in terms of framing a price increase – just as it was found to be least effective in the study focused on securing renewals.

Participants in the provocative condition were found to have:

- **18.8% less favorable attitudes** toward the message, compared to participants in the new capabilities with timed discount condition, which performed the best in this regard (figure 4).

Figure 4.

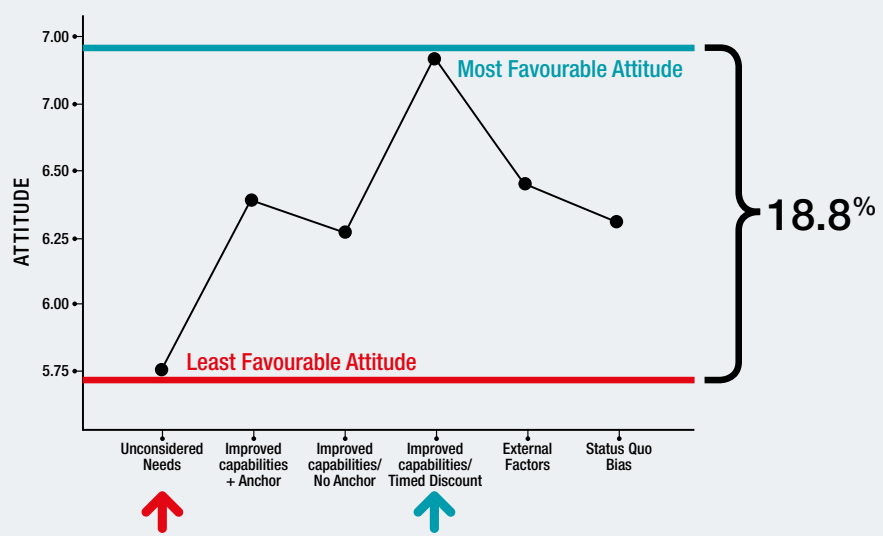


Figure 5.

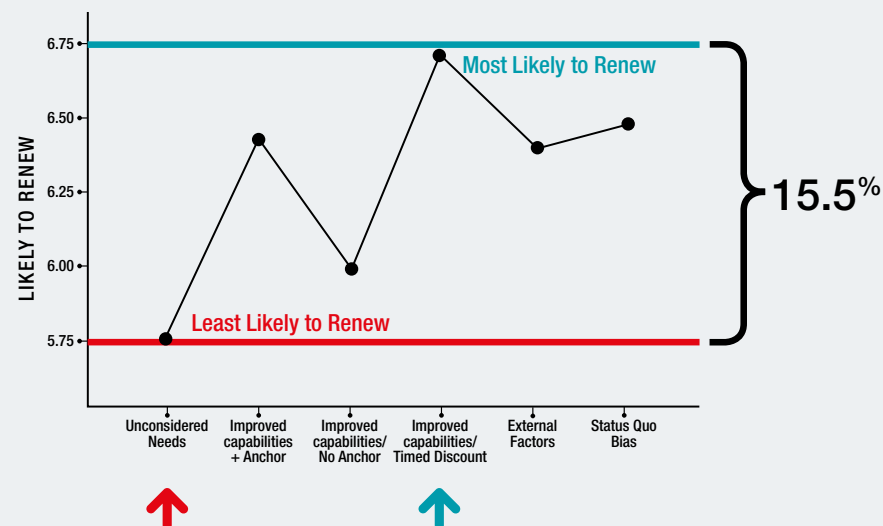
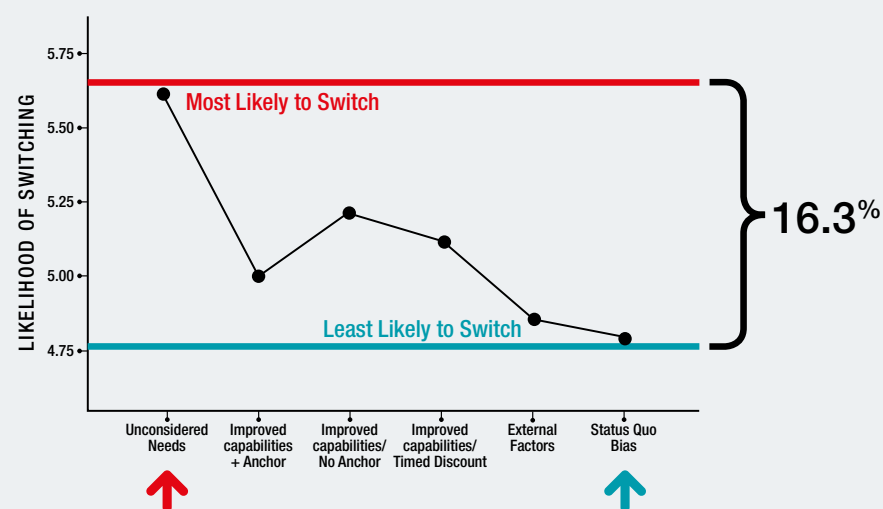


Figure 6.



In addition, participants in the provocation-based message were (figures 5 & 6):

- **15.5% less likely to renew with their current vendor**, compared with participants in the new capabilities with time discount condition, the highest-performing message in this area.
- **16.3% more likely to switch to another vendor**, relative to participants in the status quo bias reinforcement condition, which performed the best in this measure.

Another thing the research revealed: two of the *least-used* approaches – as identified by our survey – are the *most effective* approaches when it comes to communicating price increases.

Only **7%** of survey respondents said they anchored a higher price before providing a discount when introducing a price increase. And, only **18%** of respondents currently try to justify a

price increase by reinforcing the cause of status quo bias. According to the research, both of these approaches are critical factors in terms of executing a price increase message with maximum effectiveness.

### The winning “why pay” messaging framework

The results reveal that the winning messaging framework embodies two things:

1. First, it will reinforce the status quo biases while introducing key, new capabilities to solve existing needs – not introduce new needs.
2. Second, it will also anchor high with the new price, before giving a timed, loyalty discount to sign the renewal.

Below is an example of the best-performing messages in the study (it is not meant to be a script, but a framework

for your consideration):

**Document results to date:** “You have made great progress on your goals over these past two years. You’ve seen health and wellness programme participation grow from 20% to 50%. Your employee satisfaction scores are up, and you’ve said some employees have even taken the time to thank you for the changes you’ve made. In addition, your employee retention rates have started to improve, which you said was the ultimate goal of making these changes.”

**Reinforce causes of status quo bias:** “When you signed up two years ago, you really did your homework and looked at a lot of options before getting your entire team to come to a consensus and choose our company. It was a long process that involved a lot of people, but you ultimately arrived at a big decision to bring this programme on board.

As you look at making a renewal decision, it’s important to realize that you are at a critical point in this journey and that it’s important to maintain momentum to achieve your ultimate participation and retention goals. Any change to the programme at this point could create an unnecessary risk of losing the positive gains you’ve made.

Not to mention that bringing in another vendor would require you to invest time in getting them up to speed and money on implementation costs and other changes that you won’t have to spend if you continue working with us.”

**Introduce new capabilities:** “Over the past two years we’ve been developing new capabilities to drive more satisfied participants, as well as give you confidence that your programme is keeping pace with anything else available in the market today. As you consider your renewal with us, we wanted to let you know about two new services we think can have a tremendous impact on your goals:

“The first is a new weekly report that shows non-participants in the programme how much benefit that those who are participating are seeing in terms of their fitness and wellness, as well as how much they are saving, and benefiting in terms of healthcare, by being part of your plan versus the alternatives. This kind of communication, on a monthly basis, will provide a gentle nudge to help encourage them to get into the programme for the great benefits.

“Secondly, we’ve also added a new smartphone app with online tools, including automatic result tracking, and integration with popular fitness trackers. In tests, these touches have been shown to help your employees get more benefits from health and wellness programmes, and feel like they’re making progress on their goals. The result has been



shown to create higher employee plan satisfaction.”

**Anchor price increase high, introduce loyalty discount:** “These new services and functionality will add approximately 8% to the annual cost of your plan. However, if you renew before the end of the month, we will reduce the price increase by 50%, making it just a 4% overall increase to get this level of service.

“You’re making great progress. Stick with our programme for another two years, and I know you’ll get to your 80% participation goal and further increase your employee retention rates.”

### Conclusion

There’s an appropriate time to challenge

your buyers – it’s just not when you’re trying to renew them and convince them to pay more. The results of the study are clear and compelling, and it’s rare to see such strong and consistent results across such a large sample audience and so many different conditions and categories of measurement.

Above all, the findings serve as confirmation that communicating with prospects and customers across the buying lifecycle isn’t a one-size-fits-all thing. While a disruptive message plays well when you’re trying to defeat the status quo bias and displace an incumbent, it shouldn’t be applied universally – no matter how popular the approach might be.



### About the authors

Nick Lee is Professor of Marketing at Warwick Business School and Tim Riesterer is Chief Strategy and Research Officer, Corporate Visions.

# 1st Annual Customer Expansion Marketing and Sales Conference

Altitude 360, London, 25 September 2019

## 08:30 – 09:00 | Registration & Refreshments

### 09:00 – 09:10 | Welcome

Nick de Cent, the International Journal of Sales Transformation & Leo Hanna, Corporate Visions

### 09:10 – 09:30 | Opening Keynote: Customer Expansion is not the Same as Customer Acquisition

Tim Riesterer, Corporate Visions

### 09:30 – 10:15 | Research Spotlight: Retention and Renewal Messaging

Tim Riesterer, Corporate Visions & Dr. Nick Lee, Warwick Business School

Learn the optimal messaging framework for ensuring you retain your existing customer contracts and subscriptions. Find out how companies have been using this approach to avoid RFPs and even expand their share with customers just by changing their renewal messaging.

## 10:15 – 10:30 | BREAK

### 10:30 – 11:15 | Research Spotlight: Communicating Price Increases

Tim Riesterer, Corporate Visions & Dr. Nick Lee, Warwick Business School

Discover the best way to present and pass along a price increase as part of your growth strategy. See how companies are recapturing some of the margin they might have leaked during the original sales process, or make sure they get the premium needed to cover any product or service improvements.

### 11:15 – 12:00 | Hear from the Practitioners – Panel Discussion: Three Perspectives – One Common Goal

Adam Joseph, Kevin Shirley & Lauren Olerich, GainSight Marketing. Sales and Customer Success must all be part of your expansion strategy and execution. This panel discussion will feature the head of each of these three departments at the same company where they are cooperating to make Customer Expansion a shared effort. Find out how they practically aligned these typically disparate organisations, and learn how to build your own integrated process.

## 12:00 – 12:45 | LUNCH

### 12:45 – 13:30 | Research Spotlight: Upgrades and Add-On Selling

Doug Hutton, Corporate Visions & Dr. Nick Lee, Warwick Business School

Find out what it takes to get your customers to move to your next upgrade, instead of lagging on old products or systems (so making making them vulnerable to the competition). See how companies are using the right mix of partnership and provocation to get customers to evolve and do more.

### 13:30 – 14:15 | Research Spotlight: Apologies that Increase Customer Loyalty

Doug Hutton, Corporate Visions & Dr. Nick Lee, Warwick Business School

Get a tested, proven messaging approach for effectively handling the critical conversation with customers that comes along with the almost inevitable product or service failure. Examine the elements companies can use to create even greater customer satisfaction and loyalty following a problem compared with if the customer had never experienced an issue in the first place.

## 14:15 – 14:30 | BREAK

### 14:30 – 15:00 | Hear from the Practitioners – Keynote: BT Group

Robert Sorrell, BT Global Services

### 15:00 – 16:20 | Panel Discussion: Real-World Application with Practitioners and Q&A

Moderator: Nick de Cent, the International Journal of Sales Transformation

Join the researchers and the practitioner speakers to discuss the value of research around commercial functions; find out the best ways to put that research into practice; and get all your questions answered.

### 16:20 – 16:30 | Closing Remarks

Nick de Cent, the International Journal of Sales Transformation & Leo Hanna, Corporate Visions

# “Why evolve?”

✍ Tim Riesterer and Joe Collins





New research identifies how best to handle upselling or cross-sell conversations.

“What about this selling situation?” That’s typically the first question we hear whenever we’ve conducted a study that sheds light on the buyer psychology of some critical moment in the purchase cycle. There’s always somebody waiting with the next question that needs to be run through the research gauntlet.

In our first article in this *journal*, we described the best message framework for telling a great “Why change?” story. This is the story you tell when you’re the outsider trying to displace an incumbent vendor, and you need to disrupt their status quo and convince them you’re different and better than what they’re doing today.

More recently we published the findings of a study to determine the best way to tell a “Why now?” story. This is the one you need to get executive buyers to take action sooner rather than later – decide rather than defer.

Those studies validated an effective message for when you’re trying to defeat the status quo. What it didn’t address is what to do when you *are* the status quo. What if you’re the “insider”? Do you still need to disrupt, or do you need to reinforce your position as the status quo? In other words, what is the best way to increase customer retention (“Why stay with you?”) and communicate a price increase to expand the per-account value of your partnerships (“Why pay more if I do stay?”)?

What this research revealed, in sum, is that the message you need to displace an incumbent (the “Why change?” story) is nearly the *inverse* of the message you need to retain them (“Why stay?”) and convince them to pay more.

It might’ve seemed only natural that these stories would oppose each other, given their very different aims. But, at a time when provoking and challenging the customer everywhere, all the time, is accepted as if it were a philosophical principle, it becomes essential to see research that clearly shows how buying psychology changes when you’re communicating with prospects as opposed to existing customers.

The big takeaway is that your message can’t be one dimensional – it can’t be a one-size-fits-all thing. Different situations across the buying cycle demand different messages and different skills, because what might work beautifully in one situation could well backfire in another.

A research gap identified: upsell/cross-sell

Despite what these studies uncovered about which messages work best in these key situations, there were still gaps in the research with respect to some other vital questions. One of them is this: *How do you sell more to an existing customer?* In other words, how do you best handle what are traditionally known as the upsell or cross-sell conversations, when, for instance, you might need to convince existing customers to migrate to higher-value solutions and services, either in the event of a significant upsell opportunity or due to a material change in a base product?

We’re calling this the “Why evolve?” story. And one reason it begs for a study is that it appears to be something of a hybrid between the “Why change?” and “Why stay?” stories, requiring techniques and skills that borrow from these two strikingly different situations. Another reason? More than 86% of respondents to a recent Corporate Visions industry survey said this moment is “important” or “very important” to their revenue success and their ability to retain customers. Nearly 60% of respondents, however, said they are only somewhat satisfied or worse when it comes to how well they convert customers to new

solutions – both in terms of how fast they convert them and how many are converting.

Convincing your customers to migrate to newer, superior solutions and services seems like it should be an easy ask. Too bad it seldom is. That’s because a whole range of hidden challenges and complexities that you might have underestimated in the beginning can rise to the fore, threatening to scuttle big opportunities to cement higher-value relationships with your customers.

Here’s what’s really on the line: If you’re successful in this moment, you can lay the groundwork for better customer experiences and longer-lasting partnerships, allowing your customers to take maximum advantage of the most impactful solutions and services you can deliver. But if you stumble at getting customers to evolve to higher-value services, your partnerships can stagnate. And when that happens, plateauing revenue isn’t your only problem.

If you aren’t offering your customers your most remarkable experiences, they become more susceptible to the overtures of your competitors, who can potentially disrupt you out of the equation with promises of better customer experiences that they can deliver. The problem isn’t necessarily that you don’t have those capabilities. It’s that you haven’t effectively seized the opportunity to provide them.

There’s clearly a lot at stake here. And, this situation is important enough that it shouldn’t be settled with educated guesswork or untested nostrums, but with actual research. That’s what we set out to do. The study, just completed, is covered below.

Researching the “Why evolve?” question

For this research we continued our collaboration with Professor Nick Lee at Warwick Business School. He has spent nearly 20 years drawing from social psychology, cognitive neuroscience, economics, and philosophy to develop insights into salespeople and selling. Our aim was to develop a study that responds to the most difficult challenges salespeople face when trying to sell higher-value solutions and services to existing customers.

The five key challenges of this situation are described below:

1. **Different enough?** It’s hard to overcome all the noise in the market and be seen as different enough to require action. So how do you create a message that’s not what the customer expects – that’s unusual enough to pique their interest?
2. **Important to success?** Part of selling is to create a buying vision in the minds of your prospects. You want to shape their vision of a future in which you and your solutions play a big role in their success. How do you craft a message that gets them to see your solutions as vitally important to all that?
3. **Personally convincing?** People look out for themselves first. So how do you craft a message that not only shows the value of their business, but also convinces them to become personally invested in doing something to propel their business forward?
4. **Willingness to change?** With many priorities and fires to fight, buyers need to be willing to take this on and be willing to move to a better solution. How do you craft a message that makes that case?
5. **Intention to purchase?** In the end, the only thing that matters in sales is whether they purchase or not. Even a 1% uptick in the likelihood of success is welcome. So how do you craft a message that increases the likelihood of your customer buying?

The best message condition for the “why evolve” moment is the one that’s most effective at helping salespeople overcome



these challenges and answer the questions they raise. Determining the framework for that message was the basis for the study itself, which was conducted online and included 426 participants whom we put into a business-to-business decision-making simulation.

Here’s how we set up the study:

At the outset, participants were randomly assigned to a range of different test conditions. They were told to imagine they were decision-makers in a discussion with a sales rep from their long-term software vendor, who is trying to convince them to upgrade from a legacy on-premise version of their business intelligence software to their new cloud-based business analytics solution.

The five conditions tested reflected the following message types, summarized below:

- **Product as the hero** – This was based on the type of message many companies deploy to announce new solutions. It’s product-oriented and heavily predicated on highlighting the new and improved product features and benefits.
- **Relationship reinforcement and emotion** – In a nutshell, this message uses emotional language to lean into the idea that the company and vendor are partners. It’s unafraid to have a frank conversation about challenges and opportunities befitting a long-term partnership.
- **Why change?** – This message has already been proven in our past research to be the optimal message for unseating an incumbent vendor and converting new prospects into customers. It’s provocative, a little edgy, and we wanted to test it in this “Why evolve?” scenario.
- **Why stay?** – Our previous research confirmed this message is the most effective at convincing existing customers to renew at the end of a contract. We wanted to see how it would hold up in the middle of an existing customer contract, with an upsell hanging in the balance.
- **Social influence** – This message was designed with the idea that peer pressure is a powerful motivator. It shows the buyer that many of their peers are taking action and making strides and that they can’t afford to get left behind.

Participants only viewed one of the five message conditions. Afterward, they were asked to respond to a series of questions addressing the key challenges mentioned earlier, all critical to the selling situation at hand.

So which condition proved most effective in the areas of greatest concern to this scenario?

Study results: the best “Why evolve?” message

In a combined score reflecting the overall performance of each message across all 20 questions assessed in the study,

the message that performed best was the **relationship reinforcement and emotion condition**. In terms of overall performance across all positive areas in the study, this message outperformed the others by a range of 4.3–5.8% (**Figure 1**).

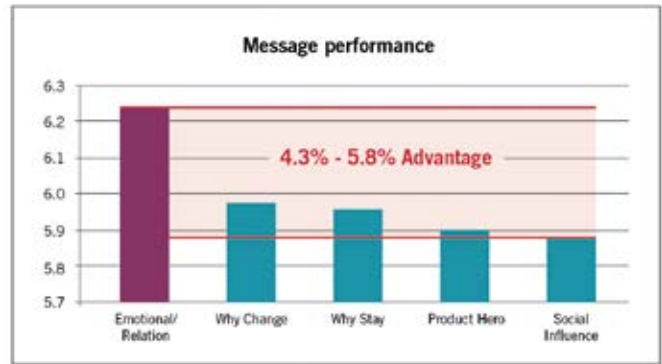


Figure 1: The relationship reinforcement and emotion condition outperformed the others.

Next, we wanted to look at the five key challenges highlighted earlier in this article, specifically with an eye towards the urgent questions they raise inside the upsell scenario. These questions include: how unusual your message is; how important you are to your customers’ future success; how convincing your message is on a personal level; how willing your customers are to take action as a result of your message; and, when all is said and done, how likely they are to actually make a purchase.

Once again, the relationship reinforcement and emotion condition consistently outperformed the other conditions across the most meaningful areas assessed in the study. The results are set out in **figures 2–6**.

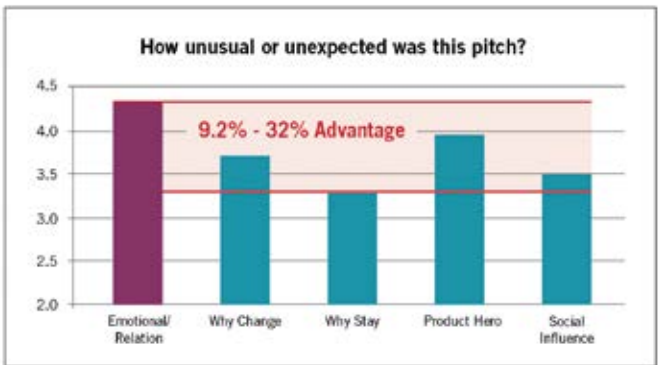


Figure 2: How unusual or unexpected was this pitch?



Figure 3: How important does this decision seem to your success

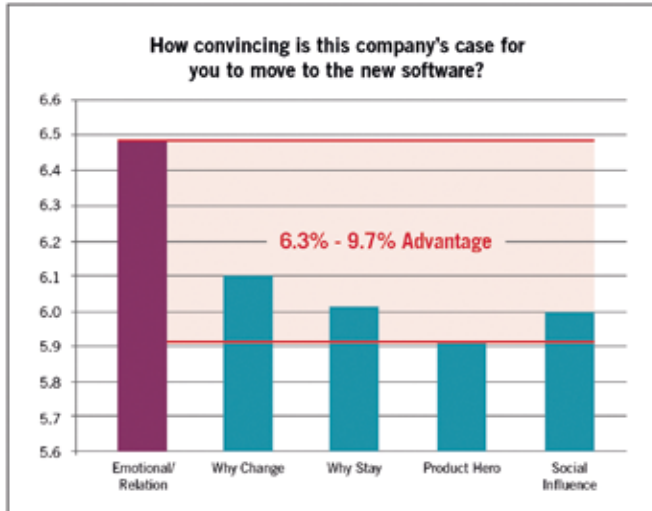


Figure 4: How convincing is this company's case for you to move to the new software?

Given the consistently strong performance of this message across these key areas, it appears this selling scenario demands a different kind of message than the product-oriented hero story, not to mention the strictly provocative story best suited to new customer acquisition (“Why change?”), or the status quo reinforcement story that’s optimal for handling renewals (“Why stay?”).

As you’ll see in the example below, the winning message borrows ingredients from the more disruptive “Why change?” approach and from the more protectionist “Why stay?” one. This strongly suggests that a hybrid message – not a message that strictly challenges their situation – is most appropriate for

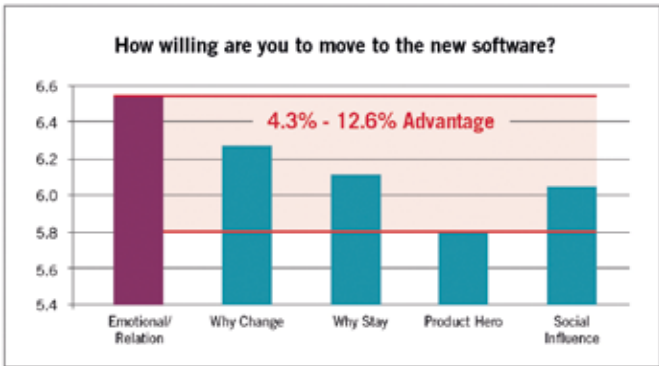


Figure 5: How willing are you to move to the new software?

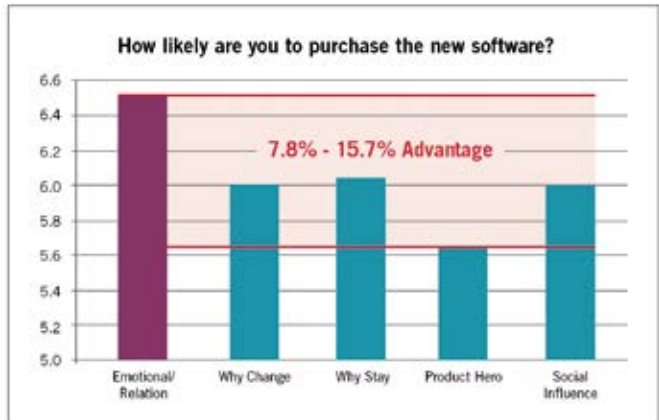


Figure 6: How likely are you to purchase the new software?

performing well in an upsell or cross-sell scenario.

After all, this message isn’t designed for driving big changes or getting a customer to renew. It’s about getting the customer to evolve, both in terms of their vision and their buying behaviours. This message ensures they don’t get complacent, lulled into the habit of using your old-guard solutions instead of your boldest and newest and highest-value innovations.

The research reveals that a winning “why evolve” message is based on a five-part framework, illustrated in the visual below:



“What this research revealed, in sum, is that the message you need to displace an incumbent (the “Why change?” story) is nearly the inverse of the message you need to retain them (“Why stay?”) and convince them to pay more.

- (1) **Documented Results** – Quantify the tenure and impact of your partnership. Recap the goals you’ve helped them achieve to date.
- (2) **Highlight Evolving Pressures** – Describe shifting internal and external pressures as a logical progression or evolution, not a surprise or disruption.
- (3) **Share “Hard Truths”** – Describe the potential missed opportunities both internally and externally from your vantage point as a trusted partner.
- (4) **Risk of No Change** – Emphasize the potentially harmful risks and repercussions of not evolving or keeping up.
- (5) **Upside Opportunity** – Use personalized “you” language to transfer ownership of the solution and all of the internal and external benefits for making the change.

### The winning “Why evolve?” message

Here’s an example of the “why evolve” message that performed best in our research simulation, with the components aligned to the pillars above.

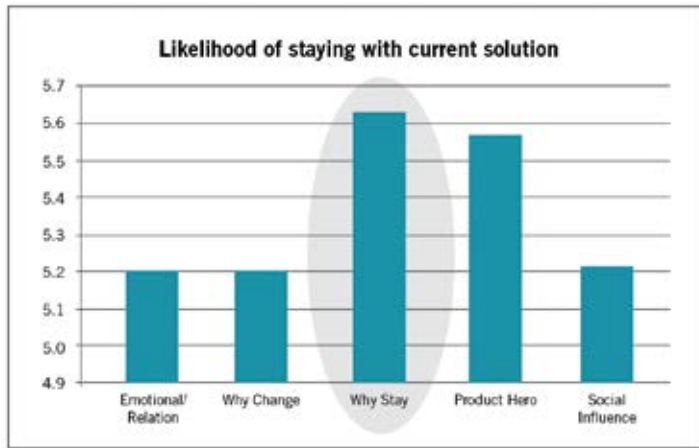
**[Documented Results]** Over our nine-year partnership, we have worked together towards your goals of creating organizational efficiency, increasing customer satisfaction, and protecting and growing revenue.

**[Highlight evolving pressures]** As with anything, business needs change and technologies evolve. Externally, you face a customer base that wants personalized solutions and instant answers. Internally, you have a changing

### Validating the “Why stay?” framework

When it comes to increasing customers’ likelihood of sticking with their current solution, it comes as little surprise that the “Why stay?”-oriented story proved the most effective message type. This is consistent with our past research into the customer retention moment, which found that reinforcing status quo bias – as opposed to introducing new or provocative information – is a major component of the optimal message for renewing existing customers.

That a “Why stay?”-like message was once again effective at getting customers to stick with their current solution further validates the power of these types of messages within a customer renewal context. As both studies show, these messages are effective at convincing customers to entrench themselves in their current situation. That’s great for customer renewals, but not so great for the demands of the up-sell and cross-sell scenarios you need to navigate in the “Why evolve?” moment.



### Dr Nick Lee, Professor, Warwick Business School, comments:

These findings make good sense – but then, the best ideas usually do make good sense once you’ve discovered them! However, when you think about it, the “upselling” situation we are looking at here is one of those situations where it seems like many different approaches could work. The relationship reinforcement message that does come out on top here combines a number of key psychological tools that are likely to be the reason for its success. In particular, you’re building trust here in several ways: first, by creating the impression of a partnership, but also reinforcing that by taking what could be seen as a risk; and second, by laying out some “hard truths” about the existing situation. So you come across like you are “walking the talk” of being a genuine partner, interested in the customer as much as (if not more so) than yourself. It really removes the feel of a cynical “upsell”, and brings in the idea that you have the customer’s best interests at heart.



Dr Nick Lee, Professor, Warwick Business School

“The winning message borrows ingredients from the more disruptive “Why change?” approach and from the more protectionist “Why stay?” one.





# Should sorry be the hardest word?

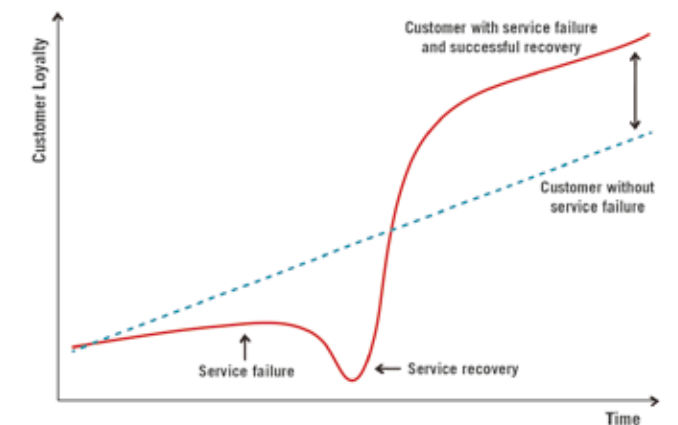
✍ Tim Riesterer & Doug Hutton

*New research reveals a formula for communicating an apology that generates greater customer satisfaction and loyalty after a service failure.*

In recent issues of this *Journal*, we've published three pieces of original research on improving messaging for critical customer success situations: renewals, price increases and upgrades. In each case we provided a tested, proven framework for the most effective approach to each of these commercial scenarios.

As usually happens, we were then approached with another question or concern that sales and customer success leaders wanted studied. In this case, they said: "These are all interesting studies, but what do you do if your customer has a bad experience with you?"

Which led us to our fourth customer success messaging test – this time focused on apologies. In this article, you will learn the most effective way to organize and communicate an apology when your customers experience a product or service failure with your solution.



▲ **Figure 1:** The service recovery paradox.

of your best opportunities to build greater levels of customer commitment.

This article will look at the existing research around what it takes to evoke this so-called service recovery paradox, which includes the importance of formal apologies. Then, we'll take it one step further and provide you with the results of a new, original research study on the optimal framework for your apology messaging.

At the end of this article, you will have a tested, proven messaging tool for improving engagement with your customers when they experience a problem with your solution. An approach that will increase your odds of experiencing the service recovery paradox.

## Service recovery paradox in B2B

The service recovery paradox has been well documented in consumer settings, but only recently was this phenomenon validated for the B2B environment. A study appearing in the February 2018 edition of the *Journal of Business & Industrial Marketing* was the first to prove its existence, and provide a preliminary model for achieving the SRP with business customers ("The service recovery paradox in B2B Relationships," Hübner, et al). According to the research, the recovery model for inspiring SRP contains four components:

- **Initiation** – Speaks to the willingness to engage in recovery actions even if the problem isn't caused by the failing provider directly, rather a sub-contractor or other third party. Your customer believes you hold full responsibility and expects you to resolve it with professional rigor regardless of who is to blame.
- **Response Speed** – Relates to the timeliness and

workforce that wants the newest tools and greater work flexibility.

**[Share "hard truths"]** As partners, it's tempting just to focus on all the positives, but the role of a good partner is to also share hard truths. The fact is, we've heard from your teams that they like our software, but they are frustrated at having to dedicate time consolidating data from different sources. Then once the data is consolidated in your system, they feel limited because your current version has a limited set of standard reporting views available.

**[Risk of No Change]** These areas of inefficiency can make it difficult for your hard-working teams to identify areas of waste, which means the organization continues to waste time. Not only does this make your employees frustrated and dissatisfied, but it can lead to clients becoming irritated that they aren't getting the personalized information and immediate experiences they desperately crave. This frustration has the potential to lead to more employee turnover and less customer loyalty.

**[Upside Opportunity]** But you can ensure your team has the latest version of the software that is so critical to your business. By upgrading to our new cloud-based solution you'll get faster, simpler and more flexible business management capabilities that allow you to acquire and analyze multiple data sources easily from a single app. You'll also tap into the power of artificial intelligence and be able to produce more than 50 standard reports that can be customized to your business.

All this to improve the speed of your operations, the usefulness of your insights, while increasing both internal team and external customer satisfaction.

And that's why we'd like you to allocate the budget for the one-time installation fee similar to what you paid for the original software install as well as the 20 percent annual maintenance increase needed to make the jump to our powerful, new BCS-18 business analytics solution.

## In closing

Don't guess when it comes to messaging for a customer conversation as important to your success as this one. The upside of the upsell is – needless to say – tremendous. It can

mean better customer experiences, longer-lasting partnerships, more satisfied clients, and a lot more revenue for you. The downside is also significant. The risk isn't just that your customer relationships will stagnate; it's that this stagnation will leave you vulnerable to the messaging of outsiders who can approach your customers with something materially better than the experiences you're providing them today.

Don't let that happen. Don't leave this conversation to chance. By bringing some much-needed research and messaging rigour to the "why evolve" moment, our hope is that you won't have to.



## About the authors

Tim Riesterer is Chief Strategy and Research Officer, Corporate Visions and Joe Collins is Senior Consultant, Corporate Visions.



responsiveness of recovery actions, especially when service failures affect companies where every second of downtime costs big money. Taking immediate recovery measures once a problem is detected – or even anticipated – increases your chances of recovering from a problem compared with those who do not.

- **Compensation** – Refers to the allocation of financial and physical resources by the failing provider. For B2B customers the most appreciated compensation comes in the form of additional free-of-charge resources to resolve the service failure as fast as possible. Delayed financial compensation doesn't make up for their losses, especially losses in internal and external trust.
- **Apology** – Describes how service providers convey remorse to the affected customer parties in a way that positively influences the perception of the service recovery episode: the propensity of a service failure to result in an SRP increase when you communicate your efforts to eliminate the root cause of service failures and convince the customer it won't happen again.

Focusing on the apology

Three of the four components described above (Initiation, Response Speed and Compensation) are no doubt vital to achieving SRP. They must take place to get a customer back up and running, while minimizing calculable damage.

But, unless those three recovery activities are well documented and communicated effectively in the right apology framework, you reduce the possibility that everyone inside your affected customer will appreciate and give you credit for your efforts, thereby hampering your ability to raise customer satisfaction and boost customer loyalty above pre- or non-failure levels.

Apologies have been a reasonably well-studied area. For purposes of our research, we focused on foundational findings in the paper “*An Exploration of the Structure of Effective Apologies*,” (International Association of Conflict Management Research, Lewicki et al, 2016).

Their research identified and demonstrated five individual elements that contribute to an effective apology:

1. **Acknowledgement of responsibility** – a statement which demonstrates you understand your part in the service failure
2. **Offer of repair** – a statement extending a way you plan to fix the problem and work toward rebuilding trust with your customer
3. **Explanation of the problem** – a statement in which the reasons for the failure are explained to the customer
4. **Expression of regret** – a statement in which you, the violator, expresses how sorry you are for the problem
5. **Declaration of repentance** – a statement in which you express a promise to not repeat the problem

Missing research: what's the best order to express an apology?

While each of these five elements were proven to contribute individually to an effective apology, in our opinion there was one missing, important study still to be done. In reviewing the existing apology science literature, we found no research to determine if there is a best order for these elements. Not only that, the literature studied only general “effectiveness” of apologies, with no specifics of the apology's impact on tangible sales and customer success outcomes. In other words, there is no official “I'm sorry” apology messaging framework that can be proven to have greater impact on SRP-related questions.

So, we created a test scenario (**see Sidebars 1 and 2**) and recruited 500 people across North America and Europe to imagine themselves in a service-failure situation, and then measure their responses to important questions related to SRP. We asked them to imagine they were the manager in charge of an HR Benefits Enrolment system that failed during the most critical time of the year – benefits enrolment. And, we told them that the problem had a significant and wide-ranging negative impact on others in the organization, including the senior-most executives.

After reading the description of the service failure, we asked everyone to rank the intensity of their negative feelings toward the supplier in the story. The question read: “*How would this incident impact your perception of your supplier?*” (Scale of 1-9

Sidebar 1: Service failure scenario – your software application goes down at the worst possible time

For the purposes of this study, we asked the participants to imagine that they were responsible for their company's HR benefits programme. Then, we told them about the following service failure:

*“Near the end of the benefits sign-up period, the software your employees use to sign up for benefits goes down for an extended period. Employees are emailing you directly with questions and frustrations, especially with the deadline looming. They are also submitting requests for support to IT, which cannot rectify the problem because it is an issue with the software supplier itself.*

*“Your HR leadership team and other managers are repeatedly asking you for updates regarding when the problem will be corrected. The software ultimately comes back online, and the sign-up period ends. But, this results in a much higher workload for you and your team to ensure all employees have the necessary benefits. You're also fielding numerous questions and concerns from company leaders worried about the impact this experience will have on employee satisfaction.”*

The participants were then asked a key question: “How would this incident impact your perception of the supplier?”

where 1 = the most extreme negative perception)

We then took only the most extremely negative respondents (those who rated their perceptions after the service problem as 1 or 2) to see how they reacted to the various apology messages. The goal was to determine the apology framework that had the most positive impact on the most angry and frustrated “customers”, figuring this would be the ultimate test for any “I'm sorry” message framework.

In **Figure 2**, you'll see we drafted a sentence or two for each apology component. We then created multiple test conditions by re-ordering how the components appeared and were communicated to the customer, each defensible based on how effective any one apology component was proven to be in the existing research.

Four different combinations of the five elements were created to test for the best approach. A fifth test condition only used two of the five elements to create a control (**Figure 3**). Specifically, we used just the two most factual apology components and eliminated the more emotional elements. Oftentimes, people in B2B environments argue that emotional content only works in B2C and that just the facts matter in conversations with B2B customers. So, we attempted to see how

(1-9 scale with 1 = most negative). Existing research demonstrates that SRP kicks in only when the underlying service failure exceeds what Hubner et al. call the “zone of indifference.” In other words, SRP isn't about the small day-to-day missteps and token apologies that litter a supplier-customer relationship. To truly test apology effectiveness, we needed to ensure that study participants felt particularly acute pain, with the proposed scenario severe enough to impact a wide range of potential customer stakeholders.

Next, the participants were randomly assigned to one of the five apology messaging conditions, and were told:

*“You are about to meet with the software supplier for the first time since this serious incident put your department in such a difficult position. What follows will be the written text of their response to the situation.”*

Then, they read the apology as text and were asked a series of questions. The responses from the most angry and frustrated participants (those who initially rated their perception of the supplier the lowest) were used to compare the impact of the various apology approaches. The objective was to determine which message could improve the reactions of the “saltiest” customers and provide a clear winning formula for you to follow when you encounter a customer problem.

a factual account of the problem and description of the remedy would compare to the emotionally laden test messages.

At first glance, you might not think that such subtle configuration changes, using elements already proven to be individually effective in previous apology science studies, would produce a single, consistent winning framework.

On the contrary, we discovered one of these approaches did outperform all the others, across every question asked. (Remember that we were looking specifically at the responses of the most infuriated customer.) The one clear and consistent winner was test **Condition #3 (Figure 4)**. While, the emotionless, just-the-facts approach consistently landed at or near the bottom on every question.

Service recovery paradox-related results

Looking at the questions best-related to the service recovery paradox, you will see this winning approach measurably improves your ability to increase customer satisfaction and loyalty even after a service failure. We didn't ask the question of satisfaction or loyalty directly, but instead asked behavioural



COMPONENT	SIMULATION TEXT
Acknowledgement of responsibility	The software outage was entirely our fault. It should not have happened at all, let alone during such a critical time for your business. We take full responsibility and are committed to ensuring it will not happen again.
Offer of repair	I want to attempt to repair any possible problems this outage caused for you, your team, or your employees. First, I have been approved to provide your company with a one-month refund, twice the length of your benefits sign-up period. It is an expanded refund in recognition that this happened at a peak time for your company. I have also directed our customer service team to manually check all sign-ups that occurred after the software came back online to be sure they were captured accurately. I will let you know the outcome as soon as it is complete, no longer than one week from now.
Explanation	Your software went down after a major power outage at one of our data centres. Your workload was re-routed to our other data centres, as part of our back-up plan and service agreement. However, the second centre your content was assigned to was down due to preventive maintenance and a hardware update. This caused your system to go down for a period as the system re-configured to find the next alternative for your workload. We have now updated our redundancy system to avoid anything like this in the future.
Expression of regret	I am exceptionally sorry for this outage, and as soon as I knew about it, I was in constant communication with our technical teams until it was resolved. On behalf of our company, I would like to apologize not only to you, but your leadership team and all affected employees.
Declaration of repentance	I fully regret that this outage occurred, and our teams are making the necessary changes to make sure it does not happen again. Our outages should be reserved for planned down-time, with advance communication, and we regret that we failed on both accounts in this situation.

▲ **Figure 2:** Text for apology components.

CONDITION #1	CONDITION #2	CONDITION #3	CONDITION #4	CONDITION #5
Acknowledgement of responsibility	Offer of repair	Offer of repair	Expression of regret	Explanation of problem
Offer of repair	Declaration of repentance	Acknowledgement of responsibility	Declaration of repentance	Offer of repair
Explanation of problem	Acknowledgement of responsibility	Declaration of repentance	Explanation of problem	
Expression of regret	Expression of regret	Explanation of problem	Acknowledgement of responsibility	
Declaration of repentance	Explanation of problem	Expression of regret	Offer of repair	

▲ **Figure 3:** The different apology combination test conditions.



Figure 4:  
The winning  
apology  
framework.

outcome-type questions related to willingness to continue buying or buy more from the supplier. We also asked questions related to advocacy and willingness to recommend or serve as a reference for the supplier. All this was asked after “experiencing” the failure and reading the apology (Figures 5–8).

As you can see in the figures, Condition #3 is the clear, consistent winner. Meanwhile, there’s so much variability in the other approaches that you can’t even pick a clear second place winner. This, despite the fact that the first four conditions all use the exact same content just presented in a different order. This proves the power of story choreography. It’s not just what you say, but how you say it.

Another key indicator of apology success mentioned earlier is whether your customer believes you fixed the problem and that the problem will not happen again. Even in this case, you’ll see it’s the same apology message that inspires the greatest confidence in the supplier moving forward: Condition #3 (Figures 9–10). These findings eliminate all doubt as to which configuration you should apply to get the best SRP-related results. And, should cause you significant hesitation if you’re

considering any other approach.

A final set of questions and results are more tied to perceptions of the message itself, considerations such as the credibility and overall effectiveness of the message. Again, you will see the same clear winner is Condition #3 (Figures 11–14).

Again, due to the inconsistencies displayed by the other messaging approaches, there is one, clear winner and no clear second choice when it comes to the perceived quality of your apology.

### Winning example

Here is the winning apology messaging condition as delivered in the test:

1. Offer of repair
2. Acknowledgement of responsibility
3. Declaration of repentance
4. Explanation of problem
5. Expression of regret



Figure 5



Figure 6



Figure 7

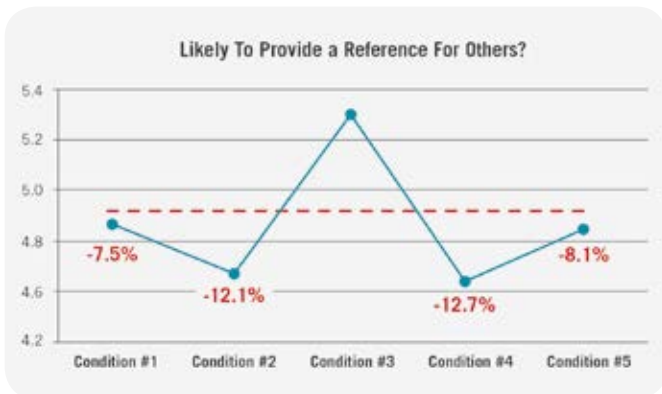


Figure 8



Figure 9

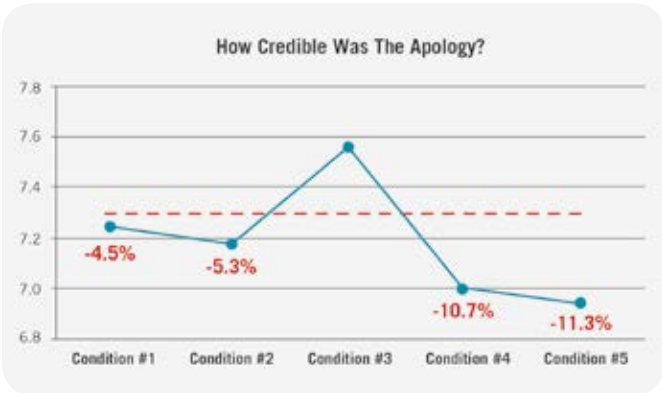


Figure 11

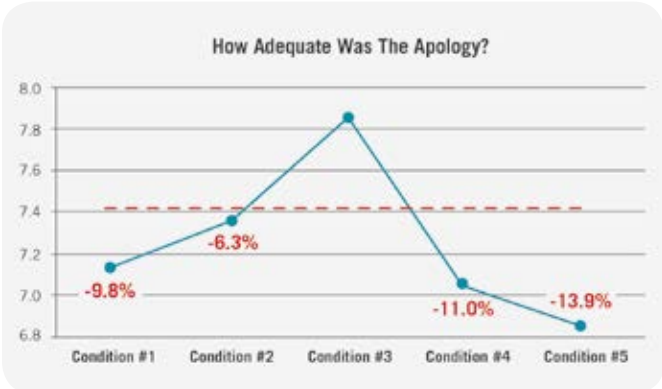


Figure 13

“I want to attempt to repair any possible problems this outage caused for you, your team, or your employees. First, I have been approved to provide your company with a one-month refund, twice the length of your benefits sign-up period. It is an expanded refund in recognition that this happened at a peak time for your company. I have also directed our customer service team to manually check all sign-ups that occurred after the software came back online to be sure they were captured accurately. I will let you know the outcome as soon as it is complete, no longer than one week from now.

“The software outage was entirely our fault. It should not have happened at all, let alone during such a critical time for your business. We take full responsibility and are committed to ensuring it will not happen again. I fully regret that this outage occurred, and our teams are making the necessary changes to make sure it does not happen again. Our outages should be reserved for planned down-time, with advance communication, and we regret that we failed on both accounts in this situation.

“To let you know what occurred, your software went down after a major power outage at one of our data centres. Your workload was re-routed to our other data centres, as part of our back-up plan and service agreement. However, the second centre your content was assigned to was down due to



Figure 10

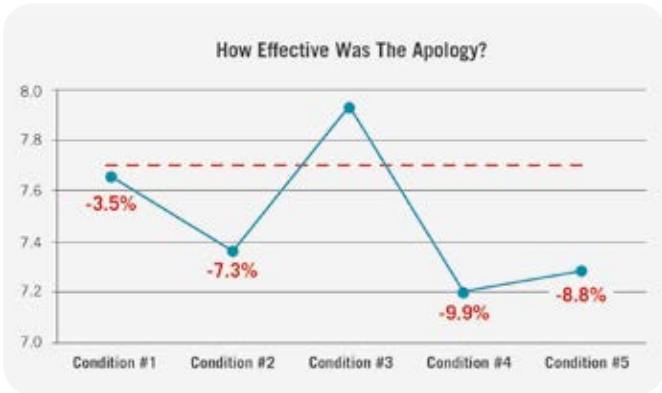


Figure 12

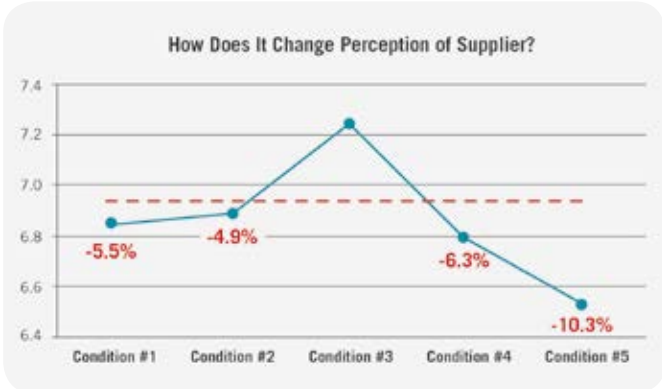


Figure 14

preventive maintenance and a hardware update. This caused your system to go down for a period as the system reconfigured to find the next alternative for your workload. We have now updated our redundancy system to avoid anything like this in the future.”

“I am exceptionally sorry for this outage, and as soon as I knew about it I was in constant communication with our technical teams until it was resolved. On behalf of our company, I would like to apologize not only to you, but your leadership team and all affected employees.”

### Conclusion: make your apologies count

The inevitable customer service failure doesn’t need to be a time of panic or dismay. The service recovery paradox demonstrates it may be an opportunity to increase customer satisfaction and loyalty to levels greater than if your customer never experienced a problem with you.

But, there are better and worse ways to engage your customer to achieve this result. In this study, you can see that there is a clear and consistent apology framework you can use



## Sidebar 2 – How important are apologies to you?

As part of the study on apologies we also conducted an industry survey to understand how important companies believe apologies are to their customer relationships, and how well they think they are doing in terms of delivering effective apologies when their customers experience the inevitable product or service failure with their solution.

More than 78% said apologies are very important and that their customer retention rates and revenue growth absolutely depend on delivering a convincing apology. Another 18% said it was important that they respond to problem situations quickly and effectively to mitigate potential damage to the customer relationship. Companies recognize that apologies will indeed occur, with a large impact on revenue success. No one expects a completely flawless customer experience (**Figure A**).



Figure A

Even though it is very clear that companies believe apologies are critical to their customer and business success, it was interesting to see what they had to say about their current efforts to develop and deliver effective apologies. The majority (54%) say their approach is either “ad hoc” or they “wing it” which means they leave it up to the individuals on the account to determine what they need to say and how they need to say it. Only 13% say they take a highly formalized approach, including a documented structure for their apologies, one where everyone knows exactly how to communicate with customers after a major problem (**Figure B**).



Figure B

That means there's a big gap between how important companies feel apologies are to their success and how much structured effort they put into ensuring their apologies are effective. This led to a third question in our survey to find out how confident they are that their company is delivering good apologies despite lacking a formal approach.

It turns out just 18% of companies are completely confident in the effectiveness of their apologies, which corresponds closely to the 14% that approach them with a highly formal strategy (**Figure C**). The rest (82%) are not completely confident in their apologies.



Figure C

This survey seems to prove the industry would benefit from a tested, proven framework for consistently developing and delivering the most effective apologies.

to build and deliver your apology message – and positively affect even your most angry and bitterly disappointed customers.

No more guesses or opinions about how to apologize. And, no more vague advice telling you to be authentic, transparent and empathetic. (How do you know for sure when you are even doing that?) Based on this research, you now have a specific, detailed, science-backed apology messaging framework for more effectively dealing with the most difficult parts of sales and customer service – apologizing for a service failure.



### About the researcher

Nick Lee is Professor of Marketing, Warwick Business School.



### About the authors

Tim Riesterer is chief strategy and research officer, Corporate Visions.



Doug Hutton is vice president of consulting, Corporate Visions.

## About our speakers

### Professor Nick Lee, Professor of Marketing, Warwick Business School



Professor Nick Lee leads the core marketing module on the Warwick Business School Distance Learning MBA – currently

the top-ranked distance learning MBA in the world. He also teaches quantitative research methods on the WBS DBA.

Prior to joining WBS in 2016, Professor Lee was Professor of Sales and Management Science at Loughborough University, and Professor of Marketing and Organizational Research at Aston Business School. He still holds Honorary Chairs at both institutions.

### Tim Riesterer, Chief Strategy Officer, Corporate Visions



Tim Riesterer has dedicated his career to improving the conversations companies have with prospects and customers. He's

written three books on the subject – *Customer Message Management*, *Conversations that Win the Complex Sale*, and *The Three Value Conversations*, with a fourth due in January 2020, *The Expansion Sale* – all based on actual decision-making science research. He is a highly sought-after researcher, author, speaker and consultant in the area of creating and delivering customer conversations that win.

### Doug Hutton, VP, Training Services, Corporate Visions



Doug Hutton leads an exceptional global team of consultants that enable sellers to create, elevate, capture, and expand

value throughout the complex sale. By bringing CVI's decision sciences to life in the classroom, Doug's team imparts the knowledge and skills that will build pipeline and close better deals faster. Hutton has responsibility for always improving CVI's classroom delivery quality, coaching consultants on the newest techniques and research, and acting as an internal subject matter expert for product development and sales support.

### Kevin Shirley, Senior Director of Sales, EMEA, Gainsight



Kevin Shirley leads Gainsight's new business and up-sell sales teams across Europe. He helps organisations operationalise CS

and recognises that Customer Success is everyone's responsibility. Prior to joining, he was Head of Account Management at Rant & Rave. He has previously worked in a sales function at large technology companies such as RightNow, eGain, and Oracle.

### Lauren Olerich, Director of EMEA Marketing, GainSight



Lauren Olerich has been involved with various functions at Gainsight including demand generation, sales development, and customer

marketing. Prior to joining Gainsight, she worked in data analytics functions at Symantec and LinkedIn. She is passionate about the growing Customer Success community and the opportunities facing the industry in new markets.

### Adam Joseph, Director of Customer Success, Gainsight



Adam Joseph leads Gainsight's European customer success initiatives from the company's regional headquarters in

London. He is also the founder of CSM Insight and creator of the podcast series *Customer Success Conversations*. Joseph spent 15 years managing Customer Success organisations for leading businesses such as Dun & Bradstreet and ChannelAdvisor. He is passionate about all things CS and was voted a member of the global “Top 100 Customer Success Strategists” in 2018.

### Robert Sorrell, Head of Sales Enablement, BT Global Services



Robert Sorrell has been a change and development specialist for over 20 years across UK, Europe and AMEA,

and has first-hand knowledge of selling, managing sales teams and leaders. At BT, he leads on strategy and delivery across three global sales verticals. Sorrell has a hands-on approach and is passionate about releasing human potential to empower salespeople and leaders to bring about transformation and business growth. Prior to his work at BT he had a career in sales and then consultancy, including developing his own business.

### Leo Hanna, Executive Vice President – International, Corporate Visions



An executive with expertise spanning sales, marketing and operations gathered from a 25-year career in the hi-tech industry, Leo

Hanna oversees all aspects of Corporate Visions business in EMEA and APAC. Prior to Corporate Visions, he served as General Manager EMEA for Saba, a global leader in cloud-based Human Capital Management software and services. Prior to Saba, Hanna led cloud, software, and services businesses across EMEA and APAC for Microsoft, Oracle, and Symantec. He is based in London, UK.

### Nick de Cent, Editor-in-chief, International Journal of Sales Transformation



Nick de Cent founded the *International Journal of Sales Transformation* six years ago with the aim of creating a world-class

resource for sales leadership. With ambitions to emulate the *Harvard Business Review* – but in a specialist sales context – the *Journal* seeks to communicate current academic sales research in a way that is informative and relevant to practitioners' day-to-day roles. With over 35 years' experience as a business journalist (specialising in sales, IT, pharma and finance), de Cent also spent almost 20 years leading a multi-award-winning creative agency. He is a freelance editor for the world's top strategy consulting firm and for global executive search and consulting firm, Heidrick & Struggles. He has also edited and written content for national newspapers and numerous business publications in a freelance capacity.



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