HABITUATION: A NEW PERSPECTIVE ON CUSTOMER SATISFACTION AND RETENTION

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Customer satisfaction has historically been the gauge that companies use to anticipate a customer’s likelihood to stay with their products. Unfortunately, customer satisfaction is a very poor predictor of churn.

Large scale meta-analysis (compilation of multiple studies) of customer satisfaction shows little or no correlation to repurchase.

Large-scale studies show a 20 percent relationship between satisfaction and repurchase. Essentially eight percent of repurchase is explained by satisfaction.

Up to 85 percent of defecting customers report being satisfied or highly satisfied with the company they are leaving.

U.S. corporations routinely lose half their customers every five years. The cell phone industry refers to this as churn; the percentage of customer turnover that occurs each year. New psychological research indicates that as much as 90 percent of human behavior is affected by automatic, habitual processes in the brain; people drive cars while talking on the phone or thinking about work. Human behavior many times is automatic and unconscious. Customer behavior many times is automatic and unconscious. Customers automatically buy Crest toothpaste, even though there are many other viable types of toothpaste on the market that they might like better. Once a product satisfactorily fulfills a need, people will automatically re-purchase that product until some event forces them to re-evaluate the purchase decision. People relegate the re-purchase decision to the habitual mind to free up the brain to think about more important things, like what to have for dinner or what the teacher said at the parent teacher conference. Conversely, people consciously choose not to re-purchase certain products. Consumers may be very satisfied with their Sony TVs yet purchase a new Samsung TV. The behavioral difference between the automatic re-purchase of Crest and the conscious decision not to re-purchase a Sony TV is the focus of this paper.

New psychological and neurological research proves that people say one thing and do another because they use certain parts of their brain when consciously thinking and other parts of their brain when doing things automatically (habitually). This paper is an attempt to quantify how to get people habituated on products and services. The study will use the psychology of the human mind to understand why customers behave as they do and create marketing tactics and plans to improve products and services to match the habitual needs of customers. The result of a successful implementation of this program will be lower churn rates at companies.

Neurological research reveals that people make conscious decisions in a physically different part of the brain (explicit) than automatic (implicit) decisions. (See figure1)
Figure 1

Implicit and Explicit Brain

Explicit
- Somatosensory Memory
- Auditory Memory
- Visual Memory
- Motor Memory
- The Prefrontal Cortex
- The Hippocampus

Implicit
- Striatum
- Basil Ganglia
- Cerebellum
- Amygdala
These two parts of the brain work together but do not understand one another. This is why you can drive your “automatic” path to work, without explicitly thinking about every turn and stop light. Your implicit mind drives you to work giving your explicit mind the latitude to think about what you are going to do at work, once you get there. The implicit mind does the routine things automatically, freeing up the explicit mind to think intentional thoughts. If you ask yourself what cars were at the third stop light on the way to work, your explicit mind will not have the answer…but your implicit mind knows.

This logic may explain why satisfied customers are not loyal to the products and services that they say they are satisfied with. Satisfaction is gauged by an explicit response to a question; the term ‘satisfaction’ itself is vaguely defined. Conversely, habituation is an implicit activity; habits are verifiable and measurable. Customer habituation is a method to measure and impact how loyal customers can be.

1. Google is the overwhelming favorite for internet searches. Google’s initial genius was to answer queries with results that previous users had chosen for similar queries. The effect was to give users the most popular answers to their queries. Google chose to give users what they were looking for, instead of giving them what they thought the answer should be.
2. Sprint Nextel Walkie-Talkies connect with the push of a button in under one second, before the explicit mind can think about what is going on. The entire connection process never leaves the implicit mind.
3. Apple’s iPod leverages the users’ music listening habits, by giving them an intuitive tool that allows them to listen to their music whenever they wish.
4. The Blackberry smart phones were only one of several smart phones on the market for business people, yet Blackberry became the runaway best seller. What made the Blackberry so addictive? Pushed e-mail. The user did not have to get his e-mail, it got to him. The fact that the user did not have to think (explicitly) to get his e-mail, was the key to allowing the implicit mind to habituate on it. The implicit mind made us CrackBerry addicts.
5. An entire industry was created when water was bottled and sold as a premium product. People now willingly pay for water because they feel that they are drinking something that not only quenches their thirst, but is actually good for them.
6. Many people are hooked on Starbucks coffee, but the entire experience created by Starbucks, makes people associate Starbucks with a positive, soothing rewarding experience.

It can also be argued that water is not something that one should pay to consume from a plastic bottle, yet millions are hooked on drinking and paying for designer water. The explicit mind knows that Starbucks coffee is not worth $4.00 and that water should be free. However, something about all of these experiences has stuck with millions of people.

Regarding the cell phone industry, Sprint knows that the use of cell phones becomes habitual over time. Users, however, are hooked on using cell phones, but not hooked on the phone or the carrier. Sprint needs to understand how the habitual mind of its customers relates to Sprint service. Traditional thinking views the phone and the service as products to be improved upon to increase customer satisfaction, and thereby loyalty. Sprint and others in the industry are
investigating to discover the customer loyalty buttons by delivering an ever increasing array of products for customers to try, in hopes of finding the ‘killer application.’ This approach is counter-productive, it actually increases the ‘noise’ that customers face which the explicit and habitual minds tune out.

The customer habituation paradigm views the customer’s loyalty differently. Habituation is inertial. People don’t change the services that they use with their habitual mind; they change services with the explicit mind. The key for Sprint is to understand what makes a service a habitual mind candidate. Churn occurs because a customer has not habituated or because habituated behavior is disrupted. If a customer is habitual, what can we do to reduce the instances whereby the automatic process is moved from the habitual to the explicit mind? It is the explicit mind that decides to defect from Sprint.

The goal of this study is to understand customer behaviors, then create and position Sprint products and organizations to meet the needs of the implicit mind. Sprint will then be able to provide products that customers will instinctively use. Habituation should translate to happier, more loyal customers and a customer aligned organization staffed with motivated employees.

In the information industry specifically, new capabilities are coming rapidly. From mobile laptop connectivity to WiFi to PC tablets, the consumer is being bombarded with new capabilities which boggle the mind. During this explosive phase, customer behavior, not satisfaction, must be the metric by which we measure customer loyalty. People yearn for simplicity in their lives and are enticed by BlackBerrys, mobile broadband cards and the like, in hopes of harnessing technology to make their lives simpler and more manageable. Instead, they find new capabilities that require even more explicit thinking, not less. Sprint has a unique opportunity to grab this moment in time and habituate customers on simple, intuitive, easy-to-use products and services that people won’t want to give up.

METHODOLOGY

The hypothesis will be tested through two experiential conditions. (1) Text messaging will be conducted in 350 in-store Sprint retail stores. The sample size is 350 participants. These trials will be implemented in stores in San Diego and Seattle in the first week of June, 2007. The sales person will make an on-the-spot decision about who to engage in the trial. The objective of the trial will be “think context, cue, train, reinforce. Context and training will be done in the store. The trial will determine whether providing some training in the store impacts how customers use their phone. The hypothesis is to demonstrate that customers who do have significant experience with text messaging will use their phones more and churn less if they were shown how and why to text. Customer chosen will be qualified on the basis of no experience with text messaging. The following is the in-store script that was used.

In-Store-Script Start

(Qualification): When a customer who appears of appropriate age comes in the store, go through normal interactions. When determining that they are interested in a new phone or service, inquire if they text message.

To determine someone’s experience level with text messaging, the associate should ask the following.
“Do you do much text messaging?” or “Are you interested in text messaging?” as part of their normal qualifying questions. If the customer responds:

“No, I don’t text,”
“I don’t text, much,”
“What is text messaging?
Or any answer to that effect, they are candidates for the trial. If customer is not a candidate for the trial, STOP HERE.

(Engage customer for trial): The sales representative should then cite some benefits of text messaging and describe its popularity. Also explain that Sprint is conducting a trial and that participants can earn fun rewards for participating.

(Context): “Text messaging is great when you need to communicate with somebody, but either you or they can’t talk. For example, if you need to communicate but you’re in a meeting or class, you send a quick text message. Or, if you think the person you want to contact might be in a meeting or class, you can find out without making their cell phone ring.

Texting is also great if you need to send or receive a phone number, or a shopping list. That way, they don’t have to write anything down; they’ve got it on their phone. And, it’s a great way to keep in touch with kids, friends and co-workers.”

If the customer expresses any interest in text messaging, the representative should say:

“After we figure out which phone you want, I’ll show you how easy it is to text.”

Before the new phone is being activated, the representative should say:

“As I mentioned, we have a special program for people interested in learning to text message. Would you be interested in participating? The purpose of the program is for Sprint to figure out how to make texting even more useful for you. It will only take a few minutes of your time and you’ll receive special rewards for your effort.”

If the participant responds favorably, have them fill out the short form to get participant information.

While waiting for phone to be activated, the representative should demonstrate how to text message with a live phone.

Test condition one-demonstrate.

Representative: “Let me show you how quick and easy it is to learn to text message. Use the phone similar to how the customer would use it. It is very important that you show how to enter a number to text, as well as how to text someone already in the customer’s contact list. Also, show them how to access a number in their recent call list. Using your own words, make sure the customer can see you push the buttons and how the screen changes each time. Then, when the recipient’s number is in place, show the customer how to enter letters for a text message. Put in a typical text message, such as, “can u talk?”

Test condition two-demonstrate and customer practice.

Representative: “Let me show you how quick and easy it is to learn to text message. (Use the phone similar to how the customer would use it. It is very important that you show how to enter a number to text, as well as how to text someone already in the customer’s contact list. Also, show them how to access a number in their recent call list.
Using your own words, make sure the customer can see you push the buttons and how the screen changes each time. Then, when the recipient’s number is in place, show the customer how to enter letters for a text message. Put in a typical text message, such as, “can u talk?”

“Now, you try it. Send a text message from this phone. Just send, ‘Can you talk’ to a friend’s cell phone.” Watch carefully as the customer goes through each step and help them if they have any problems.

For both conditions.

**Representative:** “As I mentioned, you have the opportunity to receive several fun rewards. (List behaviors and corresponding rewards including surveys.)”

In-Store Script End

**Post Script Experience**

- Representative sends text message to customer within 24 hours:
- Enpocket sends five messages and five re-enforcements within three days.

The second condition was a mobile broadband card trial conducted entirely over sprint.com. The “cue” was to send e-mails to new users and prompt them to go to the website. On the website they would watch a video (see script below) and this would serve as the context and training. The exposure to the video through the connection card is in itself the reward for using the product. The outcome requires the following steps:

1. Set up
   a. Acquire a Mobile Broadband Device
   b. Configure the device by loading software
   c. Activate device

2. Use
   a. Plug in device (either PCMCIA or USB)
   b. Activate Connection Manager
   c. Or set up to have Connection Manager launch automatically
   d. Or set up alternative for Mac users

3. Cue (trigger)
   a. Internal
      i. Need to check email
      ii. Boredom
      iii. Need to be productive
      iv. Social (MySpace, You Tube, IM, etc.)
   b. External
      i. Downtime of more than five minutes
      ii. Meals out (including coffee, snacks, etc.)
      iii. Airports
      iv. While a passenger (car, train, bus)
      v. At a customer or vendor site
Set up is a one-time process and is assumed to have happened for the sake of this trial. Therefore, the video will focus on Steps 2 and 3. The first half of the script focuses on automating use, while the second part will reinforce the cues that users should associate with use. The training aspect of the video will be the walk through of the technology. Reinforcement will be accomplished by the trial subject successfully connecting to the Internet.

Air Card Trial: Script – Think it! Do it!

Text for email to new IL customers acquiring Sierra AirCard 595U, 595 or Novatel devices:
To help you get the most out of your new Mobile Broadband Device and Mobile Broadband service, we have created a great online resource for Mobile Broadband customers. Here you will find all you need to know about how to get the best out of your Mobile Broadband services, including videos showing how to turn on advanced features.

The Video

The unconscious mind does not understand language. Ideally, the video will walk a customer through the steps so they can mimic them on their device. The script, therefore must address the visual cues we wish to embed into the customer’s unconscious mind.

The Script

(Fade in with happy guy sitting at table with a laptop and Mobile Broadband Device)
Show visual from world, to states, to city, to field to user. (some sort of visual stock 5-7 seconds (VCC)
It may look like I’m lost, but thanks to my Sprint Mobile Broadband connection, I always know where I am and where I’m going.
Change scene from park bench to office conference room:
Whether I’m onsite at a client’s office, “Hi Bob.” (as someone walks into the room)
Change scene from office conference room to on site at building project:
Or at the construction site.
Change scene back to the park bench:
Or at my son’s soccer game – Oh he just scored, “Way to go Timmy!”
I am always connected.
Here, let me show you how:
Show: 1. launch connection manager 2. cm prompt to insert card 3. insert card 4. click “go” 5. Access www.sprint.com
(Fade in to screen shot of the Connection Manager)
There’s a great feature in the Connection Manager software that allows your Mobile Broadband Device to automatically connect to the Sprint Mobile Broadband network.
• Click on the Connection Manager Menu, Settings, General (Show screen shot of drop down menu) and go to Settings, and go to General).
• Put a check mark in the box for “Launch when windows starts.” (Show screenshot)
• Now, just click on ‘OK’ and your Mobile Broadband Device will automatically connect to the Sprint Network whenever it’s inserted into your laptop computer. *(Show screenshot)*

Now watch this!

*Show: 1. connection manager prompt to insert card  2. Insert card  3. Access www.sprint.com*

*(Fade out)*

*(Fade in on narrator)*

If you are using your Mobile Broadband Device in a desktop computer, you will probably want to enable the same option, especially if this is your only connection option.

And there you have it.

So the next time you are on a park bench, in the office, working outside or attending one of your child’s events, you can have 1 step access to all of the world’s information.

Now I keep my laptop and Sprint Mobile Broadband device with me all the time.

*Need visual of being connected to the internet (of being on the Sprint network): Like going to the sprint.com/mobilebroadband website?*

Your new Mobile Broadband Device lets you use your laptop just like you would at the office, anywhere. Now you can do it as fast as you can think it.

• Want to check your email? Don’t wait until you get back to the office, just open up your laptop and check it now!
• Want to listen to streaming audio or watch streaming video? Just open up your laptop and watch it now!
• Need to find the closest pizza restaurant? Just open up your laptop and find it now! The built-in GPS tracks where you are so you can get directions and find everything from the nearest gas station to nearby restaurants.

Well, here’s to you doing “whatever you do” wherever you might be. Try it!

I better get going – we have to go celebrate Timmy’s big win.

*(Man shuts his computer lid and gets up from the bench, headed toward the soccer field)*

**RESULTS**

**Wireless Connection Card**

a. Early results are promising
b. Data collection is ongoing
c. Insufficient longitudinal information for meaningful statistical analysis on the efficacy of the intervention

**Text Messaging**

The Text study has three conditions for participants. In condition One, the participant is invited to participate in the study, but receives no training. In condition Two, the participant is shown how to text, but is not given the opportunity to practice. Condition Three includes not only instruction on how to text, but also the participant actually sends three text messages. All participants receive rewards for participation.

a. Condition One – 29.38 Text messages per week
b. Condition Two – 59.14 Text messages per week
c. Condition Three – 83.6 Text messages per week
Table 1: Preliminary Text Message - Study

<table>
<thead>
<tr>
<th>Condition</th>
<th>One</th>
<th>Two</th>
<th>Three</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Text Messages</td>
<td>20</td>
<td>60</td>
<td>80</td>
</tr>
</tbody>
</table>

STRATEGIC APPLICATIONS

**Brand:** Your Brand is your Promise. Sprint promises the “Power to do more.”
Sprint needs to get its customers “doing more” without a second thought. Trust is the essential element that allows the Explicit Mind to relegate decisions to the Habitual Mind. When you break your implied promise to a customer, trust is lost, and decisions are elevated to the Explicit Mind.

*Challenge: Image is muddled*

*Target State: Brand is reliable, trustworthy and always there for you*

*Benefit: Services that make my life simpler and richer*

*Sprint Benefit: Strong brand equity*

**Product:** Product management processes currently work against habituation. Product managers work in isolation, their compensation drives product focus instead of customer focus. Products become odd amalgams of uncoordinated features that are non-intuitive, expensive, and hide whatever value they might create. Product managers should start with a template of the customer’s Habitual and Explicit Minds.

*Challenge: Market research inherently leads us in the wrong direction.*

*Target State: Launch products that satisfy customer lifestyle wishes*

*Benefit: Products that easily integrate into my lifestyle and communication wants*

*Sprint Benefit: Successful, profitable line of products*

**Marketing:** The marketing organization is fighting the wrong battle on the wrong battlefield. Marketing is focused on attitudes and conscious processing, and using customer satisfaction and image surveys.

*Challenge: Customer satisfaction does not predict churn*

*Target State: Consistently create messaging that enable customers’ habits*

*Benefit: The power to enrich my communication capabilities consistent with my lifestyle*
Sprint Benefit: Low churn and high recurring revenues

Advertising: Habitual and Explicit Minds are well defended against processing irrelevant information. By understanding how to appeal to the Habitual mind, advertisers can cut through the clutter and radically raise the effectiveness of customer communications.

Challenge: The greater the noise, the higher the filter

Target State: Deliver a consistently simple, intuitive message

Benefit: Customer assumes Sprint service is beneficial

Sprint Benefit: Agency requirements easier to craft

Pricing: Conscious processing occurs during comparison, often at initial purchase. Once a price range is created, it is relegated to the Habitual Mind as “affordable”, much like a $4 cup of coffee has become affordable. A flat rate plan ($15/mo text message) places the service into the habitual mind.

Challenge: Overage charges disrupt the perception of affordability and elevate consideration to the explicit mind

Target State: Deliver pricing structure that does not trigger explicit thought

Benefit: Payment considerations are out of sight, out of mind

Sprint Benefit: Simpler pricing to implement

SUSTAINING THE CHANGE

The habituation mindset is already taking root among all who are actively engaged with the trials. People intuitively see the value of the habituation approach; the challenge is to instill processes among key internal organizations that deliver measurable customer retention improvements. Habituation processes and tactics that deliver reduced churn will be sustained because of Sprint’s focus on churn reduction. A Sprint that has culturally integrated customer habituation will be a Sprint with loyal customers, who willingly spend the most per month on their wireless communications services.

The Habituation paradigm must be accepted at Sprint across multiple levels, but it is imperative that it be accepted in Product Development, Product Marketing and Business and Consumer Marketing. Lessons from the trials will be integrated into tactics and processes that support Sprint’s strategic vision of providing the best products and services on the most powerful networks. Thresholds to habituate customers will be defined and processes to institute them will be created. Product development and management will be the first organizations to institute habituation. The lessons learned in Product Development will be shared among other key organizations; Network, Device and Applications Marketing will be the first organizations to leverage these lessons. Customer Insights and Customer Experience will then be engaged to evangelize the message further into pertinent organizations. Virtual Business will be engaged to deploy lessons learned to help facilitate their churn reduction goals. Successes from Product Development, Product Marketing and Virtual Business will be leveraged to help Business and Consumer Marketing craft habituation requirements for Sales and Advertising.
TRIALS

The Habituation paradigm runs counter to the current Pricing mindset at Sprint, therefore the pricing organization will be the last organization to be targeted for habituation process changes.

We will know that Customer Habituation has been accepted by Sprint when habituation processes and tactics are routinely evaluated in the Product Development, Marketing, Virtual Business, Advertising and Pricing organizations. Eventually, the paradigm shifts created by customer habituation will lead to happier, more motivated employees and an organizational structure aligned with engaging and satisfying customer communications behaviors. Sprint’s profitability and retention metrics should reflect the improved alignment between customer behaviors and Sprint internal organizations.

RISKS

Sprint’s current culture is product centric. If Sprint does not integrate a customer centric approach (Customer Habituation being a tactic) into its business functions, it risks severely under leveraging the product and network assets it has invested billions of capital into. Such underperformance can lead to buyout by more successful organizations or actions by activist shareholders.
CONCLUSION

If Sprint does not change its approach during this time of industry definition, it is likely that Sprint will be a business with ever slimmer margins, a company not in control of its own destiny, a commodity business. Customers are forming their habitual use patterns right now. If Sprint acts now, it can be a company in the near future whose customers would not think of using anyone else. The good news is that habituation maps perfectly to what Sprint is currently trying to do; retain users and drive up user spending. The Sprint executive lead team has every reason to see the logic of this new paradigm and to embrace it to increase customer loyalty, thereby increasing revenues and decreasing churn.

REFERENCES


