As companies compete for customers’ attention in a world of ever-increasing choices, customer service has shifted from a “nice to do” activity to a major strategic challenge—and often a matter of corporate survival. This assessment tool allows you to do a quick size up of your company’s current level of customer service in relation to that of other companies, and to begin to identify ways to gain maximum competitive advantage through customer service.

Before reading ahead, take 10 minutes to complete the Assessment on the next page.

Customer service has never been more important—or as difficult—to deliver in a consistently superior way. As products and services become more complex and customers more sophisticated and demanding, companies around the world struggle to satisfy their customers’ expectations and earn their loyalty.

It has long been known that customer satisfaction and loyalty are linked to financial performance.\(^1\) Recent research, however, suggests that the relationship between customer perceptions and behavior is more complex than previously believed.\(^2\)

The figure below shows how higher levels of satisfaction are related to positive customer behavior. For example, dissatisfaction tends to diminish relationships and leads to defection, while higher levels of satisfaction yield customers willing to expand relationships or even serve as company advocates.

Note, however, that the link between satisfaction and behavior is not a straight line but more like an S curve, with two points of inflection. The first is the point of satisfying, where customer expectations for service are met to the degree that they don’t feel the need to scale back or defect. The second is the point of delight, where customers’ expectations are exceeded through differentiated service, prompting them to buy more and recommend the firm to others. The steepness of the curve near these two points indicates that these are the places where gains in satisfaction produce the greatest “lift” in terms of customer loyalty (and, ultimately, profitability and growth).

Source: Corporate Executive Board, *Climbing the Service Curve*, 2003

Continued on page 4
## Service Curve Assessment

In each row, check the statement (A, B, or C) that best describes your organization.

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong></td>
<td>Our people are focused mostly on internal processes and policies.</td>
<td>Our people are passionate about winning the hearts and minds of customers.</td>
<td>Our people take pride in serving customers consistently and well.</td>
</tr>
<tr>
<td><strong>2.</strong></td>
<td>Employees have guidelines that help them resolve customer complaints effectively.</td>
<td>Employees generally need to get their manager involved when a customer complains.</td>
<td>Employees at all levels are empowered to use their judgment to make things right for a customer.</td>
</tr>
<tr>
<td><strong>3.</strong></td>
<td>Employees are trained in the technical aspects of their job, but how they provide service to customers is pretty much left up to them.</td>
<td>Employees are trained to deliver customer service in a uniform manner.</td>
<td>Employees are trained to know what individual customers expect and to meet or exceed those expectations.</td>
</tr>
<tr>
<td><strong>4.</strong></td>
<td>Our internal processes and systems help us provide the same level of service to all customers.</td>
<td>Our internal processes and systems often get in the way of serving customers.</td>
<td>Our internal processes and systems enable us to provide an exceptional experience for the customers we choose to serve.</td>
</tr>
<tr>
<td><strong>5.</strong></td>
<td>Our customers can contact us if they want to give us feedback.</td>
<td>We gather feedback from customers continuously, using a variety of methods.</td>
<td>We regularly survey our customers on their satisfaction.</td>
</tr>
<tr>
<td><strong>6.</strong></td>
<td>Our products and services vary in their quality.</td>
<td>We ensure that all our products and services are of high quality.</td>
<td>We frequently develop new products and services that will be appealing and distinctive for our target customers.</td>
</tr>
<tr>
<td><strong>7.</strong></td>
<td>Our leaders believe that giving customers a consistently superior experience is key to the profitable growth of the company.</td>
<td>Customer service is only one of many priorities of our leaders.</td>
<td>Our leaders emphasize the importance of providing consistent, high-quality service.</td>
</tr>
<tr>
<td><strong>8.</strong></td>
<td>Our leaders reward and recognize employees for meeting customer satisfaction goals.</td>
<td>Our leaders reward and recognize employees for “going above and beyond” to please customers.</td>
<td>Our leaders reward and recognize mainly financial results.</td>
</tr>
<tr>
<td><strong>9.</strong></td>
<td>Our leaders provide clear statements of what it means for us to be customer focused.</td>
<td>Our leaders don’t talk very often about customers.</td>
<td>Our leaders show by their words and actions that serving customers is the most important thing we do.</td>
</tr>
<tr>
<td><strong>10.</strong></td>
<td>Our customers’ experiences vary, depending on who is serving them, what products or services they are buying, and when and where the transaction takes place.</td>
<td>All of our customers can count on the same kind of service.</td>
<td>Our customers value the experience we provide, and we often exceed their expectations.</td>
</tr>
<tr>
<td><strong>11.</strong></td>
<td>We know which specific customer expectations we must meet in order to make our target customers want to repurchase and recommend us.</td>
<td>We know what our customers expect of our organization and how we are performing against those expectations.</td>
<td>We know our customer satisfaction scores.</td>
</tr>
<tr>
<td><strong>12.</strong></td>
<td>Our service is highly reliable. It is also delivered with assurance, empathy, and responsiveness on the part of our service reps.</td>
<td>Our service is reliable. Customers get what we say they will get.</td>
<td>Our service is not particularly reliable. Customers don’t always get what we have promised them.</td>
</tr>
</tbody>
</table>
Scoring the Service Curve Assessment

**Step 1.** In each row, check the same box you checked on the previous page.

**Step 2.** Add or subtract points from 50, as indicated. The total score is your company’s Service Curve Index.

<table>
<thead>
<tr>
<th>Your Response</th>
<th>A.</th>
<th>B.</th>
<th>C.</th>
<th>Sub Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Subtract 3 points</td>
<td></td>
<td>Add 3 points</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Add 0 points</td>
<td></td>
<td>Subtract 5 points</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Subtract 3 points</td>
<td></td>
<td>Add 0 points</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Add 0 points</td>
<td></td>
<td>Subtract 5 points</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Subtract 3 points</td>
<td></td>
<td>Add 3 points</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Subtract 5 points</td>
<td></td>
<td>Add 0 points</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Add 3 points</td>
<td></td>
<td>Subtract 3 points</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Add 0 points</td>
<td></td>
<td>Add 3 points</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Add 0 points</td>
<td></td>
<td>Subtract 5 points</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Subtract 5 points</td>
<td></td>
<td>Add 0 points</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Add 3 points</td>
<td></td>
<td>Add 0 points</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Add 5 points</td>
<td></td>
<td>Add 0 points</td>
<td></td>
</tr>
</tbody>
</table>

Total (your Service Curve Index): __________________

**Step 3.** Plot your score in its approximate place on the service curve. Then see the following pages for information on how to interpret your score.

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**The Service Curve Index**

![Service Curve Index Diagram](diagram.png)

Source: Corporate Executive Board, *Climbing the Service Curve*, 2003
The Service Curve Assessment enables executives to estimate their service organization’s relative position on the S curve. The questions in the assessment are derived from Forum’s research on key factors that lead to customer satisfaction in the areas of people, processes, leaders, and customers. (See page 6 for more on this research.)

**Interpreting Your Customer Service Score**

Now return to the quiz you completed earlier. Beginning with 50 points, add or subtract points for each question using the worksheet on page 3. After you calculate your score, plot your position on the curve.

0 to 34—Customer Experience Is Random

**Where you are:** A score in this range indicates that the customer experience is still *random.* It all depends on the particular service rep a customer talks to, or the time of day the customer calls, or the location he or she visits. Service might be excellent in some cases and abysmal in others. There is little consistency or intentionality to the customer experience, and perhaps little attention paid to customer expectations and perceptions. In this range, customer satisfaction tends to be low to moderate (again, with wide variations), and customers will defect to the competition if given the slightest opportunity.

**Suggested next steps:** Your focus should be on taking urgent action to create a *predictable, consistent* customer experience.

- **Base service on what customers want.** Find out what customers expect, identify the opportunities to deliver on those expectations, and develop service standards to ensure it happens.
- **Develop people’s capability to deliver consistently good service.** Train all who touch the customer in the processes and behaviors that will meet customer expectations.
- **Engage leaders as champions.** Get buy-in from senior leaders on the importance of customer service, and equip them with the knowledge and tools they need to drive the effort across the organization.

35 to 59—Customer Experience Is Somewhat Predictable

**Where you are:** A score in this range indicates that the customer experience is *somewhat predictable.* Customers view your company as generally delivering on what is promised. They tend to be moderately satisfied with service, but they are not often delighted—nor do they see you as standing out from your competitors. They are less likely to seek other options than they would if the customer experience were random, but they are not especially loyal.

Your company is on the low side of the customer service curve. Without increased attention to the customer experience, there is a danger that the experience will deteriorate or that competitors will surpass you, resulting in a loss of customers.

**Suggested next steps:** As the flat part of the S indicates, small steps forward in this part of the curve don’t usually translate into increased customer loyalty. Therefore, you face a choice: 1) Focus on maintaining your position and avoiding a slip down the curve; or 2) Jump ahead to achieve true differentiation.

- **Focus on maintenance.** Continue to train your managers and service reps—especially new hires—to provide predictably positive service. Keep an eye on service standards for your industry: Are they changing? Are your own service standards clearly defined? Ensure that leaders are sending consistent messages about how to treat customers.
- **Jump to differentiation.** See the 60 to 79 score range for suggestions.

60 to 79—Customer Experience Is Highly Predictable

**Where you are:** A score in this range indicates that you offer a *predictably positive* customer experience. When customers visit or contact you, they can count on getting the type of good service they expect—not matter whom they talk to or what time of day it is. Your service organization reflects best practice for your industry. In this range, customer satisfaction tends to be moderately high. While customers may not rave about your service, it does not present an obstacle to them doing business with you.

Although scores in this range will put you ahead of many competitors, you face three major risks: 1) It’s relatively easy for competitors to catch up to you in this part of the curve, since “industry best practice” is easy to study and copy. 2) When it comes to loyalty, customers are still in the neutral zone—they may not be rushing for the door, but they will still defect if given an incentive to do so. 3) As the flat part of the S indicates, incremental improvements in customer satisfaction in this part of the curve tend *not* to translate into changes in customer behavior. Efforts to inch forward on the curve are unlikely to pay off in the form of more loyal customers.
Suggested next steps: Because you are in the “high middle” part of the curve, you are ideally positioned to make the leap to a differentiated customer experience. Making this leap will require that you:

- **Identify your customers’ values and loyalty drivers.** Conduct research to identify their specific expectations, perceptions, and the factors that increase or decrease their loyalty.

- **Design a differentiated customer experience.** Determine how to deliver distinct value to customers at each point they touch your organization, and create a roadmap for implementation.

- **Equip leaders and employees to deliver the experience.** Get people excited about delivering on your unique promise. Give them the tools, skills, and opportunities to create differentiated value for customers.

80 to 98—Customer Experience Is Differentiated

Where you are: A score in this range is to be envied! Your company provides a differentiated customer experience—one that is both predictable and distinctively valuable. Only about 15 percent of companies fall into this range.

Your company is doing many things right. You have identified your target customers, found out specifically what they value when they work with you, and aligned your leaders and employees so they are able to deliver that value in every customer interaction. In this range, customers are extremely satisfied, and their satisfaction translates into loyalty: they are likely to purchase more and even to act as advocates, referring other customers to you.

Suggested next steps: Your challenge is to sustain your advantage and build lasting loyalty by refreshing and upgrading the customer experience.

- **Learn how your leaders, people, and business practices are contributing to a differentiated customer experience.** Forum offers the Branded Customer Experience® Assessment, a research-based diagnostic that helps organizations gain a deep understanding of their strengths and vulnerabilities, and create a plan for sustaining their advantage.

- **Improve your knowledge** of your most profitable customers and what they expect, and ensure that your promise is aligned with their expectations.

- **Constantly adjust your service standards** to meet changing customer demands and the changing competitive marketplace.

- **Upgrade your people, processes, and products** to improve the delivery of your promise over time.

- **Continuously improve your measurement and feedback systems** so that you stay in touch with customers and employees.

About Forum’s Research

We validated the Service Curve Assessment by surveying a sample of 250 managers and executives from a broad cross-section of companies and industries—from financial services to manufacturing, high technology, and retail. The average company size was 15,000 employees and over $1 billion in annual revenue. Respondents were asked to complete the Service Curve Assessment and also to rate their company’s results in terms of customer satisfaction, market reputation, and financial performance. Statistical analyses were then performed to determine how well the Service Curve Assessment predicted these results.³

Each of the 12 questions in the Service Curve Assessment was highly related to customer satisfaction, market reputation, and financial performance. For example, of managers who said, “Our leaders don’t talk very often about customers” (associated with a random service experience), only 10 percent described their customers as enthusiastic fans. Of those who said, “Our leaders show by their words and actions that serving customers is the most important thing we do” (differentiated service experience), almost two thirds (66 percent) also described their customers as enthusiastic fans. Furthermore, the “differentiated service experience” group was more than twice as likely to report consistently exceeding its financial targets than the “random service experience” group.

The scoring for the assessment was determined by assigning points to each question based on how strongly it relates to results, and then creating a summary score that represents a position on the Service Curve.
Does Customer Service Pay Off?
Our research strongly confirms the link between customer service and positive customer behavior, as illustrated in the graph below. Companies that reported losing customers due to dissatisfaction with service had an average Service Curve score of 30. For companies that described their customers as enthusiastic fans, however, the average score was 72.

Not surprisingly, customer service also relates strongly to a company’s image in the market. For companies that reported a “variable” reputation (it varies widely depending on whom you ask) the average Service Curve score was 37, while for companies that customers associate with unique and satisfying experiences, the average score was 66.

Most importantly, we found that customer service linked directly to the bottom line: Companies that reported mixed or disappointing results had an average Service Curve score of 47, while those who reported consistently exceeding their targets had an average score of 64.

What Is Your Company’s Financial Opportunity?
This Financial Opportunity Assessment enables you to make a rough estimate of the financial value of “climbing the service curve.” The assessment consists of two worksheets. Worksheet A is for companies whose service level is close to the first inflection point of the Service Curve—shifting from random to predictably positive. Worksheet B is for companies shifting from delivering a predictably positive service experience to one that is differentiated.

**Step One:** Complete the Customer Service Assessment and determine your company’s Service Curve score.

**Step Two:** Complete a Worksheet:
- If your Service Curve score is below 50, use Worksheet A
- If your Service Curve score is 50 or above, use Worksheet B

**Step Three:** Size up the financial opportunity. Potential activities include:
- Refining the calculations based on additional information about your company and customers
- Playing “what if” games to explore different scenarios, such as, “What if we cut our service-related defection rate by 10%? By 20%? What if we increased service-related customer retention by 10%? By 20%?”
- Sharing your analysis with others in your company to gain a mutual understanding of the scope of the financial opportunity of climbing the service curve
Worksheet A: Avoiding Lost Profit from Poor or Inconsistent Service

Assumptions
1. Total number of customers: ______
2. Average annual defection rate: _____ (%) 
3. Percentage of defections that are “controllable”*: ______ (default = 65%)
4. Percentage of controllable defections that are service-related: ______ (default = 45%)
5. Average annual profit (EBIT): $________
6. Profit per customer (Line 5/Line 1): $________

Calculations
Profit lost due to service problems = Line 1 x Line 2 x Line 3 x Line 4 x Line 6:
$________________

*Controllable defections are those caused by factors within the company’s control. A certain percentage of customers will defect each year for “uncontrollable” reasons: changes in family circumstances, moving, death, job changes, and the like.

Worksheet B: Increasing Revenue Through Differentiated Service

Assumptions
1. Total number of customers: ______
2. Time horizon for measuring customer retention (such as monthly, quarterly, annually): ______
3. Percentage of customers who “migrate upward”*: _____%
4. Percent increase in customer retention/repurchase that results from differentiated service: ______ (default = 25%)
5. Number of additional upward migrators that your company could gain as a result of differentiated service (Line 1 x Line 3 x Line 4): _______ (round to nearest whole number)
6. Average amount (for your company) of a customer repurchase or increase in business: $________

Calculations
Potential increase in revenue during selected time horizon (#2) as a result of achieving differentiated service = Line 5 x Line 6:
$________________

* That is, they make a significant repurchase or increase their business with you significantly during the time horizon in Line 2.
A Note on Our Assumptions

In constructing these worksheets we have made assumptions about customer behavior and its financial value, which are grounded in multiple research studies. Below is a list of key assumptions and the research that supports them. Keep in mind that these assumptions are estimates, which you can modify based on a more detailed analysis of customer behavior in your company.

### Worksheet A

**Assumptions**

65% of customer defections are “controllable”

45% of controllable customer defections are service-related

**Rationale**

A study of financial services customers found that 35% of defections were due to factors uncontrollable by the provider, such as death and relocation, while the provider could influence 65%.\(^4\)

A Forum study of consumers in multiple industries found that 45% of defectors cited poor service as the reason for their defection.\(^5\) This finding is consistent with the financial services study cited above.

### Worksheet B

**Assumption**

Differentiated service leads to a 25% increase in customer retention/repurchase

**Rationale**

A McKinsey Consulting report\(^6\) noted that a coordinated approach to improving customer loyalty shifted migration by 20 to 30% in several companies. TARP\(^7\) has reported that companies have created a 20 to 30% increase in “top box loyalty” through improved service. Also, the Society of Consumer Affairs Professionals (SOCAP)\(^8\) found that companies increased loyalty 24% through improved contact center service.
Endnotes


8 Statistical tests included Chi Squared analyses, which measure the strength of the relationships between each item on the Customer Service Assessment and customer behavior (losing customers, neutral, enthusiastic fans). All 12 items were statistically significant at p<.05; 10 were significant at p<.001. We also conducted a reliability test to determine the extent to which the Customer Service Assessment measures service quality consistently. The split-half correlation coefficient was .64, which is acceptable for gaining a preliminary view of service quality.