Qualtrics XM institute™

INSIGHT REPORT

What Happens After a Good or Bad Experience, 2018

STUDY OF 10,000 U.S. CONSUMERS SHOWS FEEDBACK AND SPENDING CHANGES ACROSS 20 INDUSTRIES

By **Bruce Temkin**, CCXP
Head of the Qualtrics XM Institute

June 2018

This report was originally published by Temkin Group and was updated to incorporate the Qualtrics XM Institute™ format. There were no substantive changes made to the content.

EXECUTIVE SUMMARY

To understand how the quality of a customer's experience – whether it was good or bad – affects their behavior, we asked 10,000 U.S. consumers about their recent interactions with more than 300 companies across 20 industries. We then compared results with similar studies we've conducted over the previous seven years. Here are some highlights:

- About 18% of the customers who interacted with TV & Internet service providers reported having a bad experience – a considerably higher percentage than in other industries. Of the companies we evaluated, 21st Century, Comcast, Cox Communications, and New York Life deliver bad experiences most frequently.

- We created a *Sales at Risk Index* for all 20 industries by combining the percentage of customers in an industry who reported having a bad experience with the percentage who said they decreased their spending after a bad experience. According to this *Index*, TV & Internet service providers stand to lose the most revenue (6.4%) from delivering bad experiences, while utilities stand to lose the least (1.4%).

- When it comes to recovering from delivering a bad experience, Investment firms are the most effective and TV & Internet service providers are the least effective.

- After customers have a very bad or very good experience with a company, they are more likely to give feedback directly to the company than they are to post about it on Facebook, Twitter, or third-party rating sites. Customers are also more likely to share positive feedback through online surveys and share negative feedback through emails.

- Compared to previous years, customers are less likely to share feedback across almost all channels, with a particularly large drop in the percentage who post on Facebook or Twitter.

- Across almost all age groups, consumers are most likely to share their feedback directly with the company. Consumers between 18 and 34 years old are the most likely to share their good and bad experiences on Facebook, while older consumers tend to use 3rd party ratings sites more than Facebook or Twitter.

BAD EXPERIENCES ARE PREVALENT IN THE TV & INTERNET SERVICES SECTOR

We asked 10,000 U.S. consumers whether or not they recently had a bad experience with 324 companies across 20 industries.[1] The results show that:

- **TV & Internet service providers deliver the worst experiences.** More than 18% of customers in the TV & Internet services industry report having a negative experience with a company in that sector during the previous six months (see Figure 1). Wireless carriers deliver the second highest percentage of poor experiences, with about 10% of their customers reportedly having a bad interaction. Supermarkets and retailers are the best industries, only delivering poor experiences to about four percent of their customers.
- **TVs & appliances improved the most.** Between 2016 and 2017, the TVs & appliances industry improved the most, as the volume of reported bad experienced declined by more than five percentage-points. The rental cars and hotel industries also decreased their rate of bad experiences by about four points. Only two industries delivered a higher percentage of bad experiences in 2017 compared to 2016: health plans and retailers. However, neither of these increased by more than a single percentage-point.
- **21st Century customers are the most likely to have a bad experience.** Thirty-three percent of the consumers who interacted with 21st Century Insurance over the past six months reported having a bad experience with the company (see Figure 2). Five other companies also delivered bad experiences during at least 20% of interactions: Comcast, Cox Communications, New York Life, Charter Spectrum, and AT&T.
- **Bed Bath & Beyond delivers the fewest bad experiences.** Only one percent of Bed Bath & Beyond's customers reported having a bad experience with the company. Sixteen other companies deliver bad experiences to only two percent of their customers.

BAD EXPERIENCES CAN BE VERY COSTLY

Bad experiences often leave customers with a lasting, negative impression of a company, making them less willing to support that business again in the future. We examined how bad experiences affect consumers' spending patterns found that:

- **Fast food customers are most likely to reduce spending.** In the wake of a bad experience, 54% of fast food customers cut back on their spending (see Figure 3). By contrast, only 17% of utilities customers do the same. In fact, between 2016 and 2017, the percentage of utilities' customers who reduce spending after a bad experience dropped by eight percentage-points (see Figure 4). Meanwhile, software firms saw the percentage of customers who decrease spending following a bad experience go up by six percentage-points, the most of any industry.

---

[1] Data comes from the Temkin Group Q3 2016 Consumer Benchmark Survey—an online study of 10,000 U.S. consumers. Survey respondents were representative of the U.S. Census based on quotas for age, income, ethnicity, and geographic region.

- **TV & Internet service providers are losing the most.** For each of the 20 industries, we looked at the percentage of customers who'd had a bad experience in that sector and combined that number with the percentage of customers who said they decreased their spending after having a bad experience. Using this data, we created a *Sales at Risk Index* for all 20 industries (see Figure 5). At the top of the list, TV & Internet service provides stand to lose 6.4% of their revenue from bad experiences, while utilities are likely to lose only 1.4%.
- **Investment firms recover most effectively.** Forty-eight percent of customers felt that their investment firm recovered well from a bad experience, the highest of any industry (see Figure 6). The streaming media and computers & tablets industries followed closely behind, with 41% of customers giving their recovery efforts high marks. However, fewer than one in of five customers think that TV & Internet service providers, utilities, parcel delivery services, and health plans responded well after a bad experience.

CONSUMERS GIVE MORE FEEDBACK AFTER A BAD EXPERIENCE

We also examined the channels that consumers use to talk about their very good or very bad experiences (see Figure 7). Our analysis uncovered that:

- **People are more likely to talk about bad experiences.** After a very good interaction with a company, 66% of consumers share details of their experience, while after a very bad experience, that level increases to 73%.
- **Most people tell their friends directly.** After customers have either a very good or very bad experience, they are most likely to tell their friends about it either in-person, via email, or by phone.
- **Companies hear more about bad experiences than good ones.** While 26.7% of consumers told the company directly about a very bad experience, only 20.2% told it about a very good experience.
- **Facebook tops social media.** More customers publicize their good or bad experience on Facebook than on either third-party ratings sites or on Twitter.

The Channels for Direct Company Feedback

We asked the respondents who gave feedback directly to a company about which channels they used (see Figure 8). Here's what we found:

- **Surveys are biased towards good news.** Sixty-one percent of consumers used online surveys from the company to share information about a very good experience, compared with only 49% of those who used surveys to share negative feedback.
- **Emails are biased towards negative feedback.** Sixty-four percent of consumers used email to share information about a very bad experience with a company, compared with only 37% of those who used email to share positive feedback.
- **Facebook and Twitter are on the decline.** Across almost every option, consumers were less likely to share their experiences than they were in previous years (see

Figures 9 and 10). For both good and bad experiences, the percentage of consumers who shared feedback on Facebook and Twitter decreased considerably.

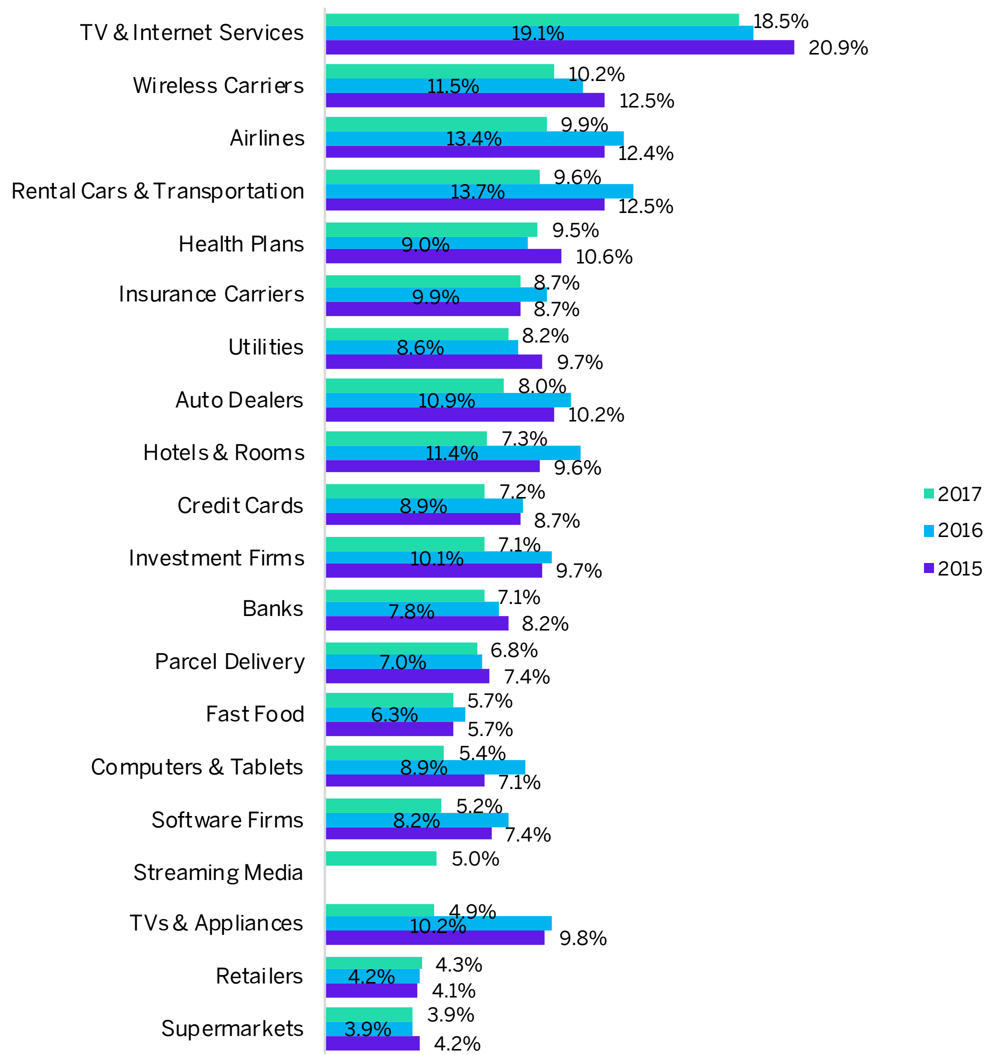
Feedback Differs Across Age Groups

When we looked at the various ways in which customers across different age groups shared their experiences, we found that (see Figures 11 and 12):

- **Direct feedback is steady across ages.** Across all age groups, there's very little difference in the percentage of consumers who give feedback directly to a company after both very bad and very good experiences. And when customers of any age give direct feedback, they are most likely to use surveys to convey good news and use emails to convey bad news.
- **Facebook is the most popular for 18- to 34-year-olds.** After a very good experience, consumers between 18 and 34 years old are most likely to share their experience on Facebook. And sharing their experience on Facebook is the most popular feedback approach for customers in this age range who have had a very good experience.
- **Rating sites are the most popular form of social media for older customers.** While customers over the age of 65 do not frequently use social media, when they do, they prefer sharing their experience on ratings sites rather than on Facebook and Twitter.

TV & Internet Service Providers Deliver the Highest Percentage of Bad Experiences

Consumers who have had a bad experience with a company in these industries within the previous six months:



Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2015, 2016, & 2017 Consumer Benchmark Studies

Qualtrics XM institute™

Figure 1

Companies That Deliver The Most And The Fewest Bad Experiences

During the previous six months, which of the following companies (if any) have you had a bad experience with?

Most Bad Experiences

Company	Industry	Bad Experiences
21st Century	Insurance	33%
Comcast	TV & Internet	24%
Cox Comm.	TV & Internet	21%
New York Life	Insurance	21%
Charter Spectrum	TV & Internet	20%
AT&T	TV & Internet	20%
Frontier Airline	Airlines	19%
Spirit Airline	Airlines	18%
TXU Energy	Utilities	17%
Optimum	TV & Internet	16%
DirecTV	TV & Internet	16%
Air Canada	Airlines	16%
Sprint	Wireless Carriers	16%
Morgan Stanley Smith Barney	Investment Firms	15%
United Airline	Airlines	15%
Ameriprise Financial	Investment Firms	14%
Quality Inn	Hotels & Rooms	14%
American Family	Insurance	13%
MetroPCS	Wireless Carriers	13%
Commonwealth Edison	Utilities	13%
Budget	Rental Cars & Transportation	13%
Dish Network	TV & Internet	13%
SunTrust Bank	Banks	13%
U.S. Bank	Credit Cards	13%
Duke Energy Progress	Utilities	12%

Fewest Bad Experiences

Company	Industry	Bad Experiences
Bed Bath & Beyond	Retailers	1%
True Value	Retailers	2%
Toys 'R' Us	Retailers	2%
Sharp	TV & Appliances	2%
ACE Rent A Car	Rental Cars & Transportation	2%
Amazon Prime Instant Video	Streaming Media	2%
Food Lion	Supermarkets	2%
Old Navy	Retailers	2%
Marshalls	Retailers	2%
Publix	Supermarkets	2%
Target	Retailers	2%
Sony	TV & Appliances	2%
Michael's	Retailers	2%
Lowe's	Retailers	2%
Trader Joe's	Supermarkets	2%
Aldi	Supermarkets	2%
PetSmart	Retailers	2%
Pandora	Streaming Media	3%
ShopRite	Supermarkets	3%
Panera Bread	Fast Food	3%

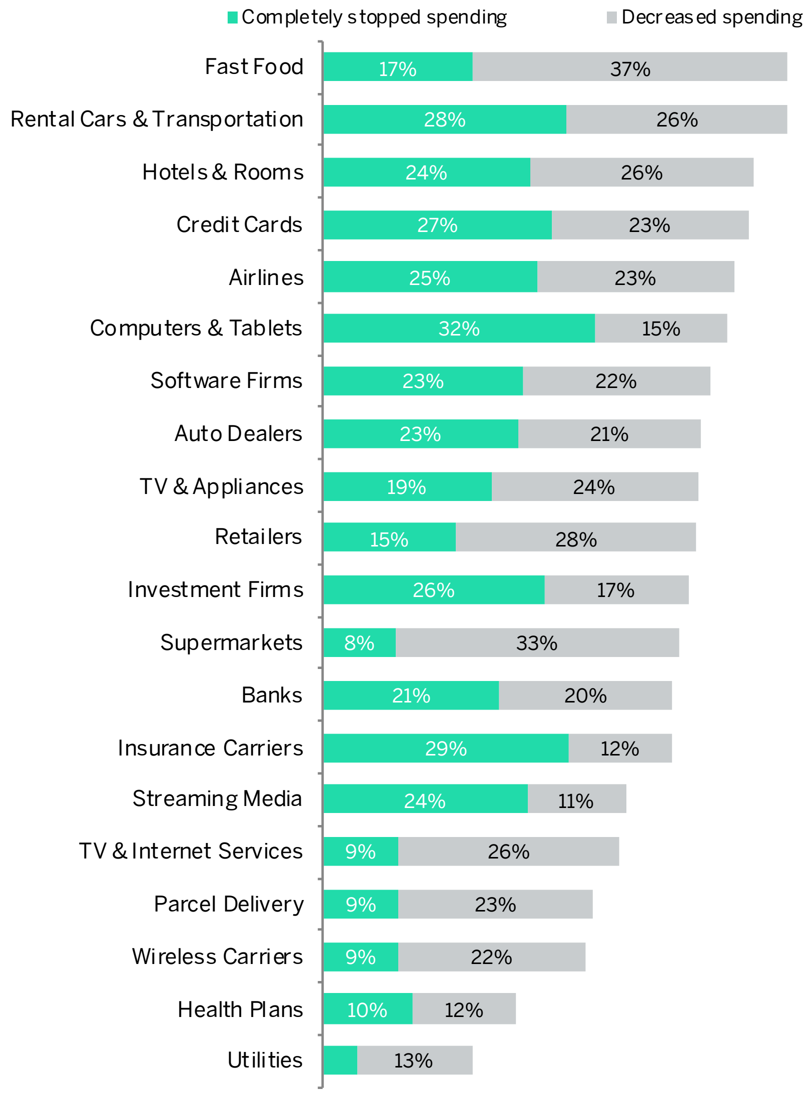
Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2017 Consumer Benchmark Study

Qualtrics XM institute™

Figure 2

How Consumers Cut Their Spending After A Bad Experience, By Industry

Since the time you had a bad experience with these companies, how have you changed the amount of money that you've spent with them?



Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2017 Consumer Benchmark Study

Qualtrics XM institute™

Figure 3

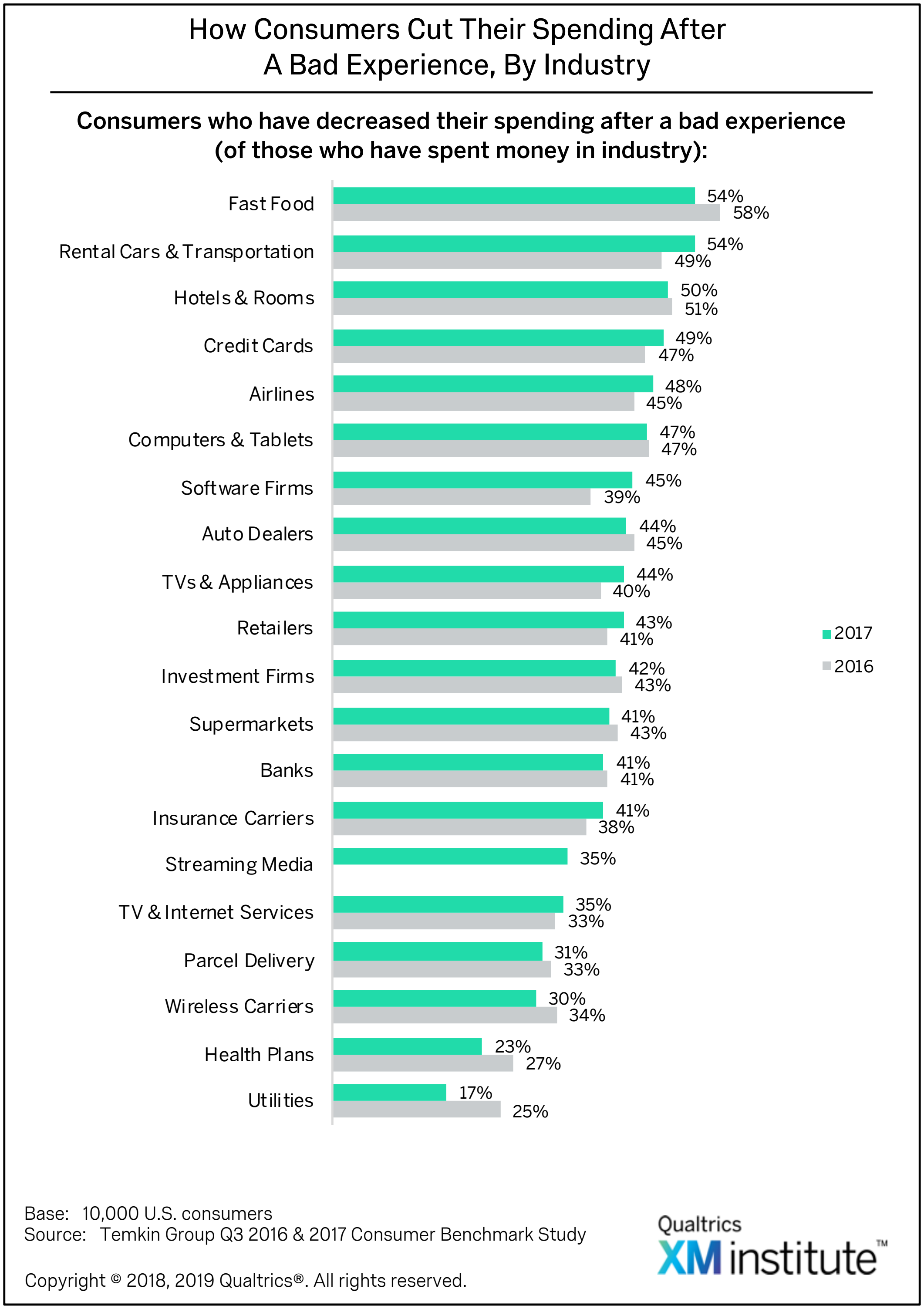

How Consumers Cut Their Spending After
A Bad Experience, By Industry
Consumers who have decreased their spending after a bad experience
(of those who have spent money in industry):
Fast Food 54% 58%
Rental Cars & Transportation 54% 49%
Hotels & Rooms 50% 51%
Credit Cards 49% 47%
Airlines 48% 45%
Computers & Tablets 47% 47%
Software Firms 45% 39%
Auto Dealers 44% 45%
TVs & Appliances 44% 40%
Retailers 43% 41%
Investment Firms 42% 43%
Supermarkets 41% 43%
Banks 41% 41%
Insurance Carriers 41% 38%
Streaming Media 35%
TV & Internet Services 35% 33%
Parcel Delivery 31% 33%
Wireless Carriers 30% 34%
Health Plans 23% 27%
Utilities 17% 25%
2017
2016
Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2016 & 2017 Consumer Benchmark Study
Copyright © 2018, 2019 Qualtrics®. All rights reserved.
Qualtrics
XM institute™

Figure 4

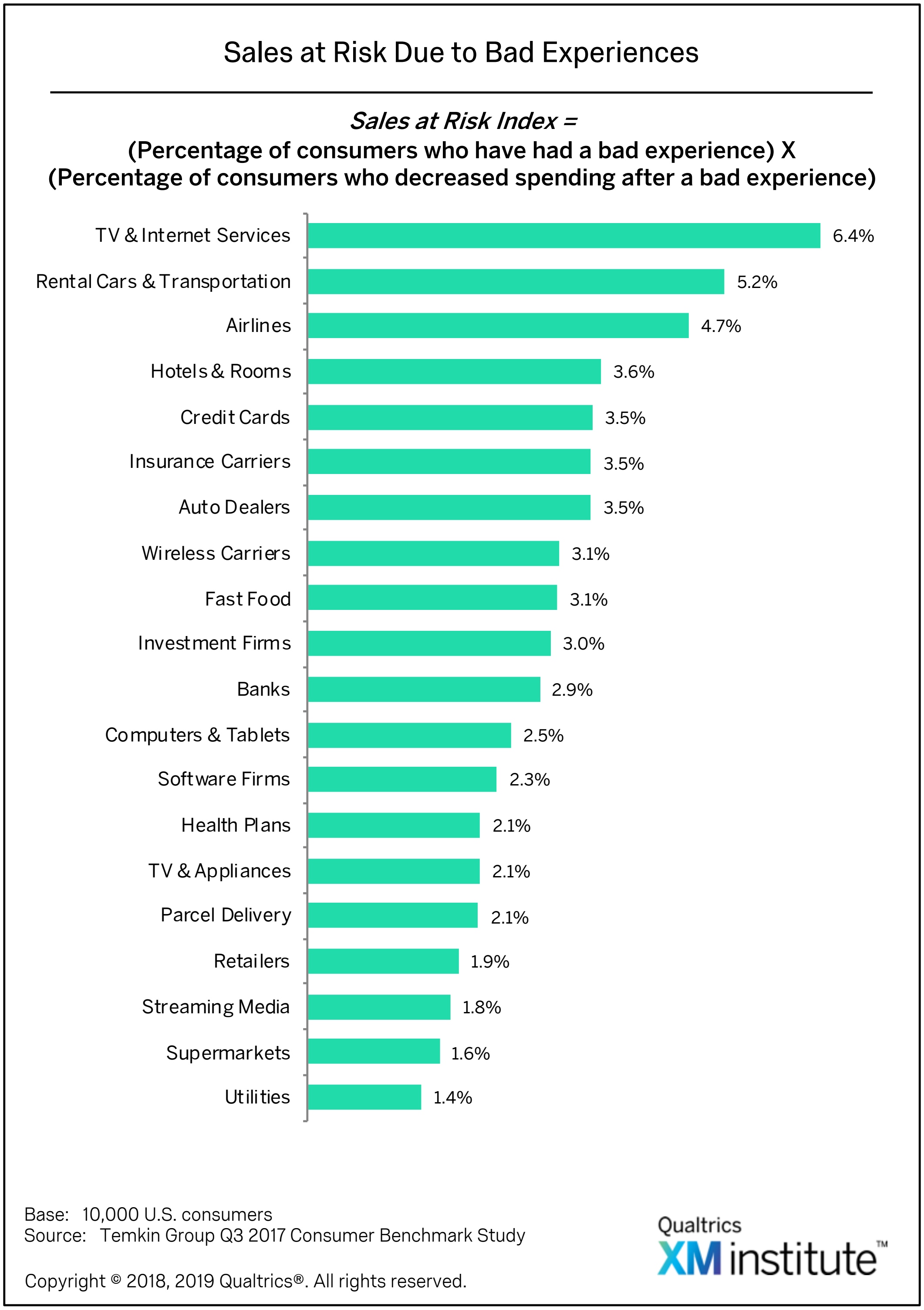
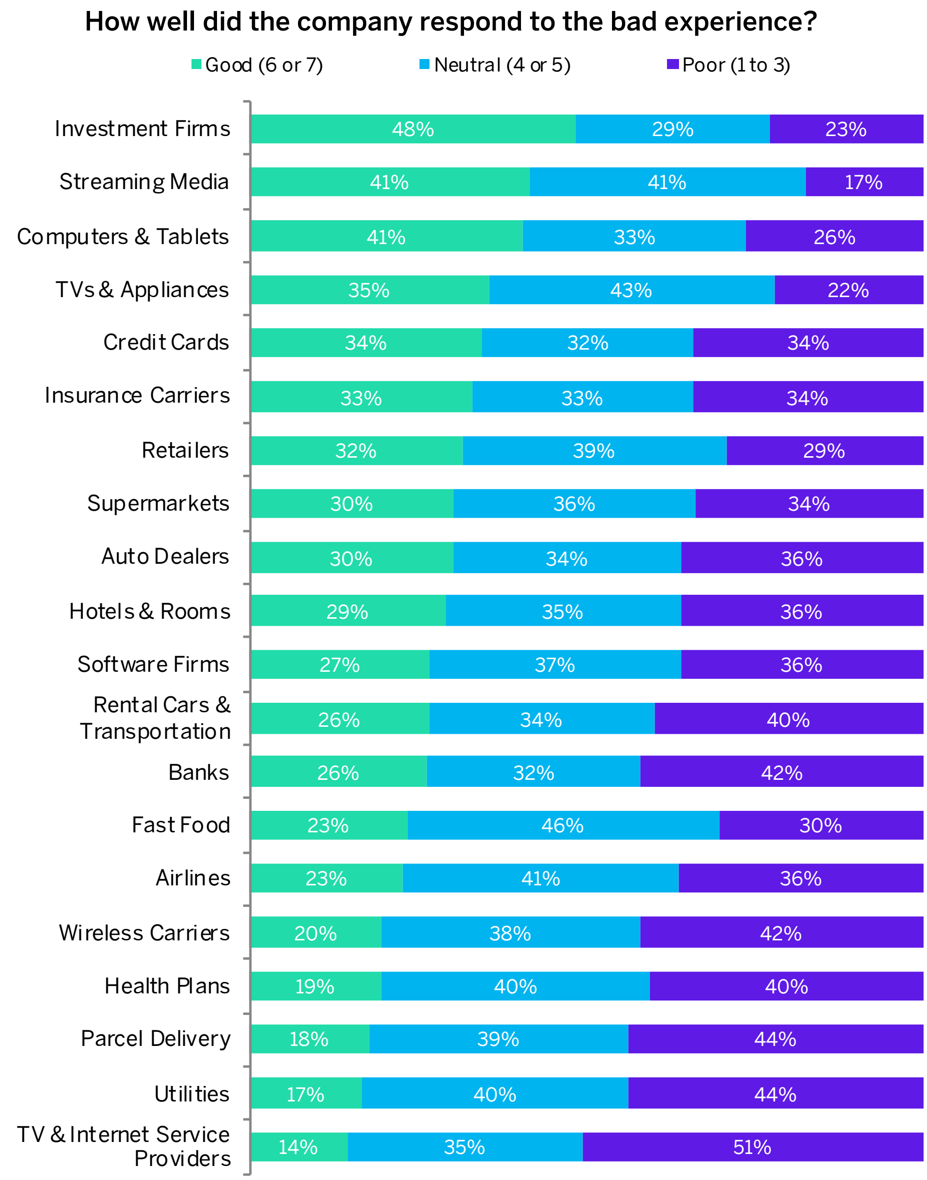

Sales at Risk Due to Bad Experiences
Sales at Risk Index =
(Percentage of consumers who have had a bad experience) X
(Percentage of consumers who decreased spending after a bad experience)
TV & Internet Services 6.4%
Rental Cars & Transportation 5.2%
Airlines 4.7%
Hotels & Rooms 3.6%
Credit Cards 3.5%
Insurance Carriers 3.5%
Auto Dealers 3.5%
Wireless Carriers 3.1%
Fast Food 3.1%
Investment Firms 3.0%
Banks 2.9%
Computers & Tablets 2.5%
Software Firms 2.3%
Health Plans 2.1%
TV & Appliances 2.1%
Parcel Delivery 2.1%
Retailers 1.9%
Streaming Media 1.8%
Supermarkets 1.6%
Utilities 1.4%
Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2017 Consumer Benchmark Study
Copyright © 2018, 2019 Qualtrics®. All rights reserved.
Qualtrics XM institute™

Figure 5

How Industries Respond to Bad Experiences Overall

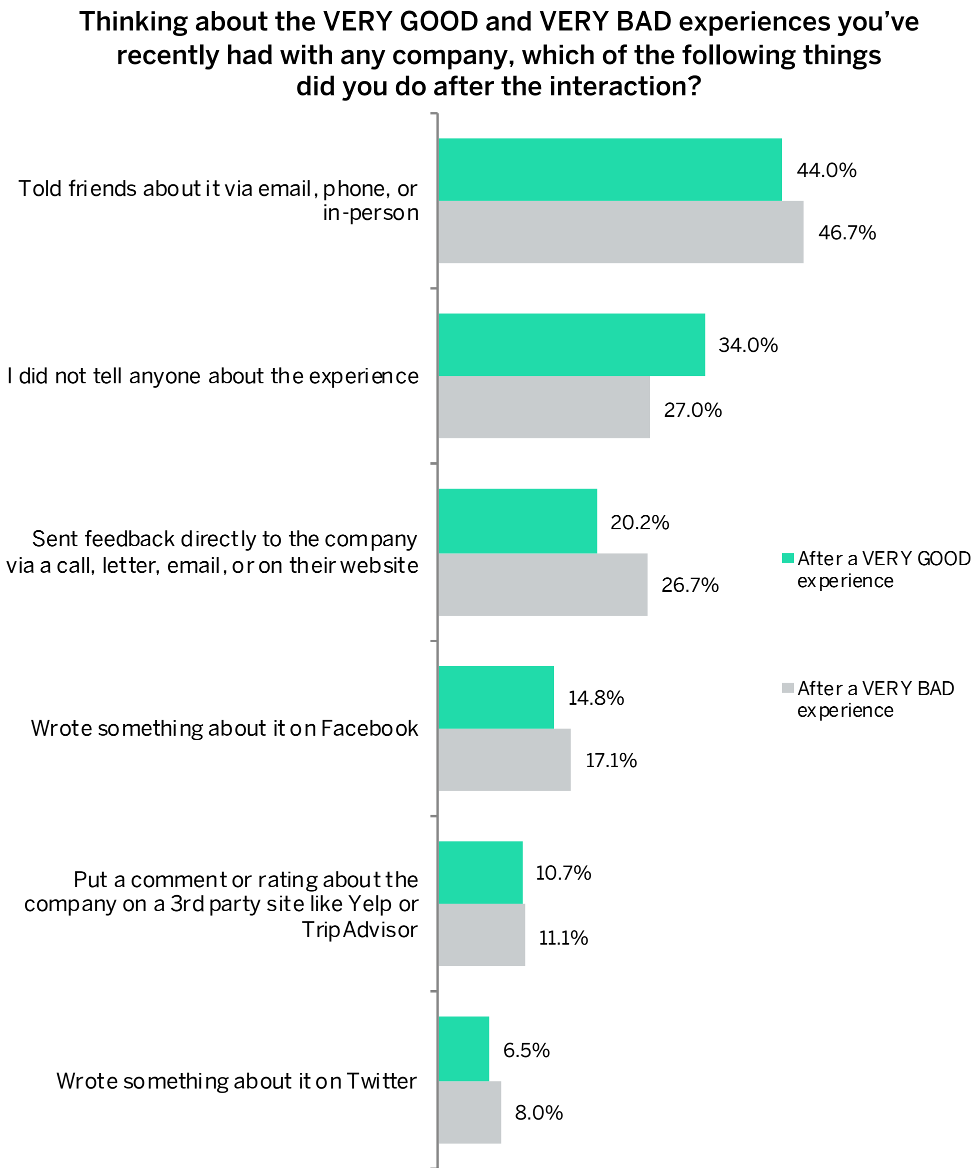


Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2017 Consumer Benchmark Study

Qualtrics XM institute™

Figure 6

How Consumers Give Feedback



Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2017 Consumer Benchmark Study

Figure 7

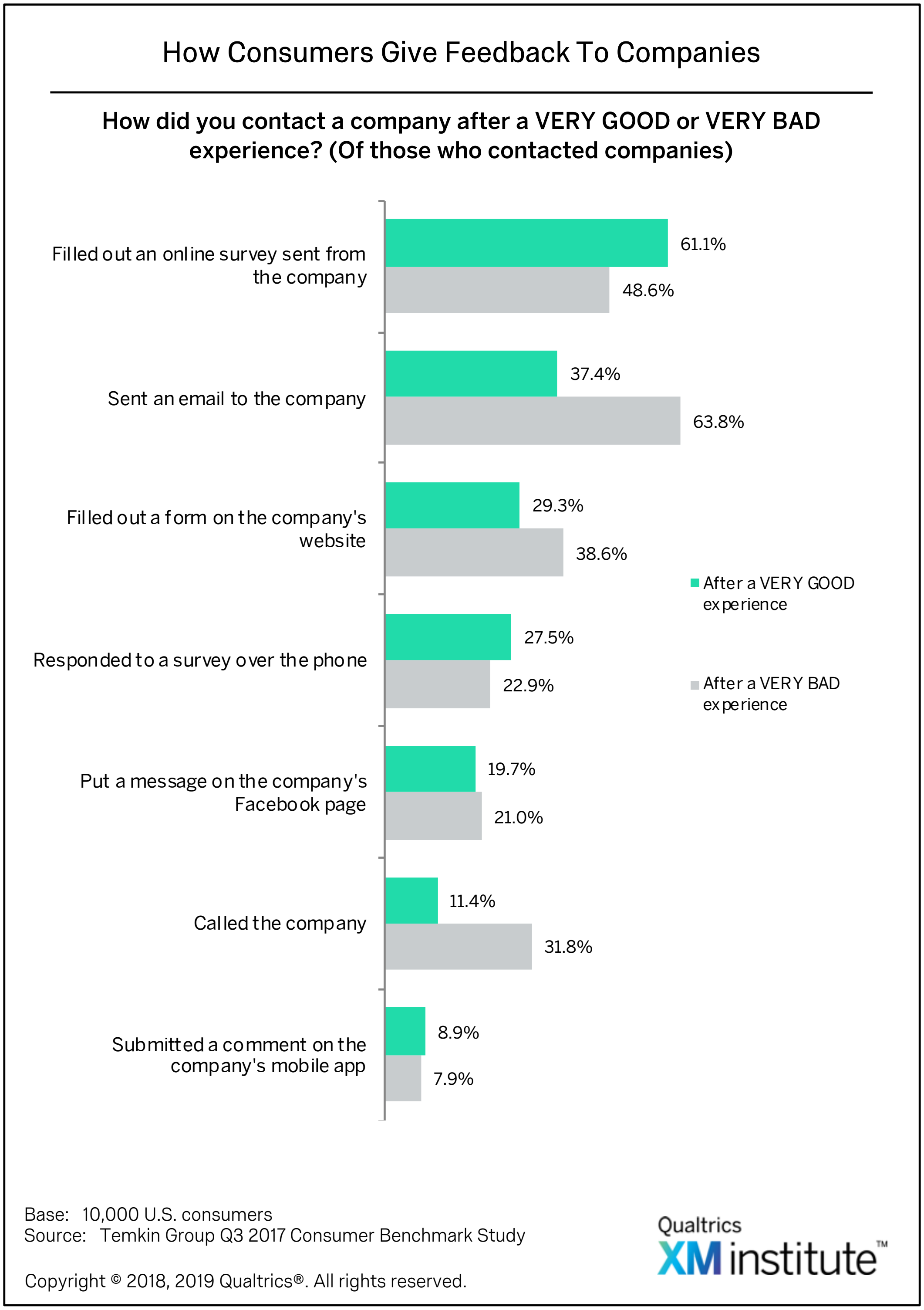

How Consumers Give Feedback To Companies
How did you contact a company after a VERY GOOD or VERY BAD experience? (Of those who contacted companies)
Filled out an online survey sent from the company
61.1%
48.6%
Sent an email to the company
37.4%
63.8%
Filled out a form on the company's website
29.3%
38.6%
Responded to a survey over the phone
27.5%
22.9%
Put a message on the company's Facebook page
19.7%
21.0%
Called the company
11.4%
31.8%
Submitted a comment on the company's mobile app
8.9%
7.9%
After a VERY GOOD experience
After a VERY BAD experience
Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2017 Consumer Benchmark Study
Copyright © 2018, 2019 Qualtrics®. All rights reserved.
Qualtrics XM institute™

Figure 8

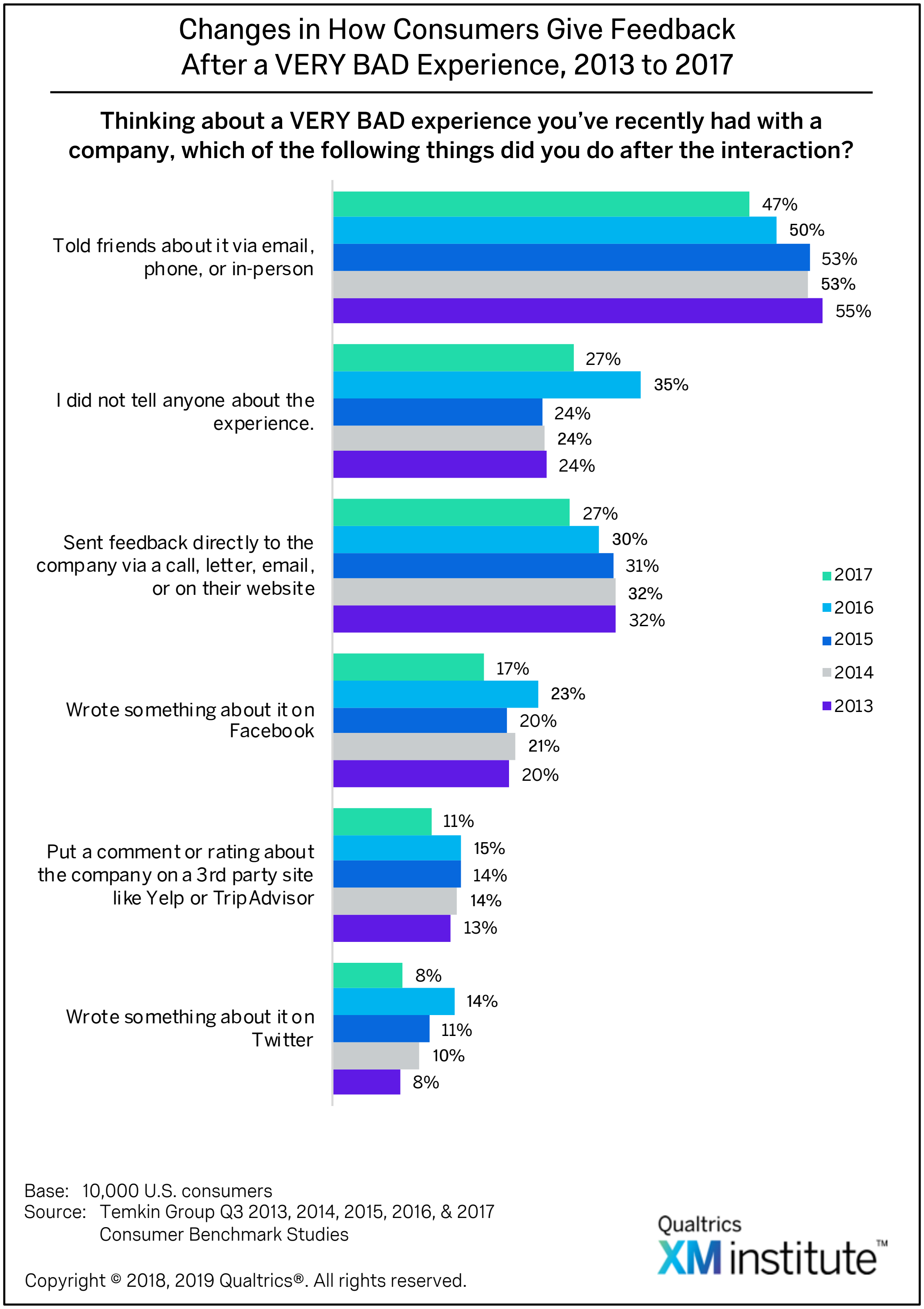

Changes in How Consumers Give Feedback
After a VERY BAD Experience, 2013 to 2017
Thinking about a VERY BAD experience you've recently had with a company, which of the following things did you do after the interaction?
Told friends about it via email, phone, or in-person
47%
50%
53%
53%
55%
I did not tell anyone about the experience.
27%
35%
24%
24%
24%
Sent feedback directly to the company via a call, letter, email, or on their website
27%
30%
31%
32%
32%
Wrote something about it on Facebook
17%
23%
20%
21%
20%
Put a comment or rating about the company on a 3rd party site like Yelp or TripAdvisor
11%
15%
14%
14%
13%
Wrote something about it on Twitter
8%
14%
11%
10%
8%
2017
2016
2015
2014
2013
Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2013, 2014, 2015, 2016, & 2017 Consumer Benchmark Studies
Copyright © 2018, 2019 Qualtrics®. All rights reserved.
Qualtrics XM institute™

Figure 9

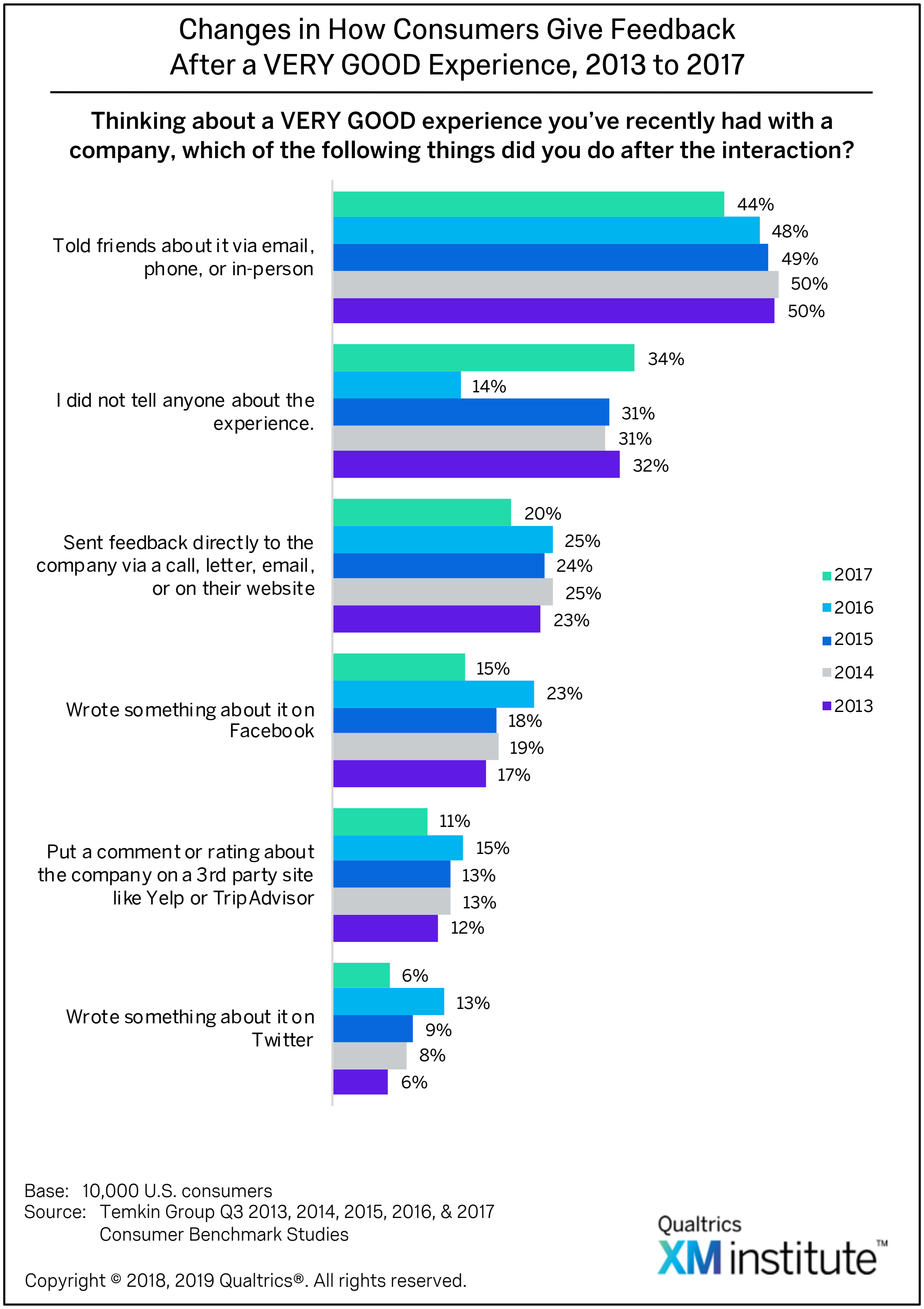
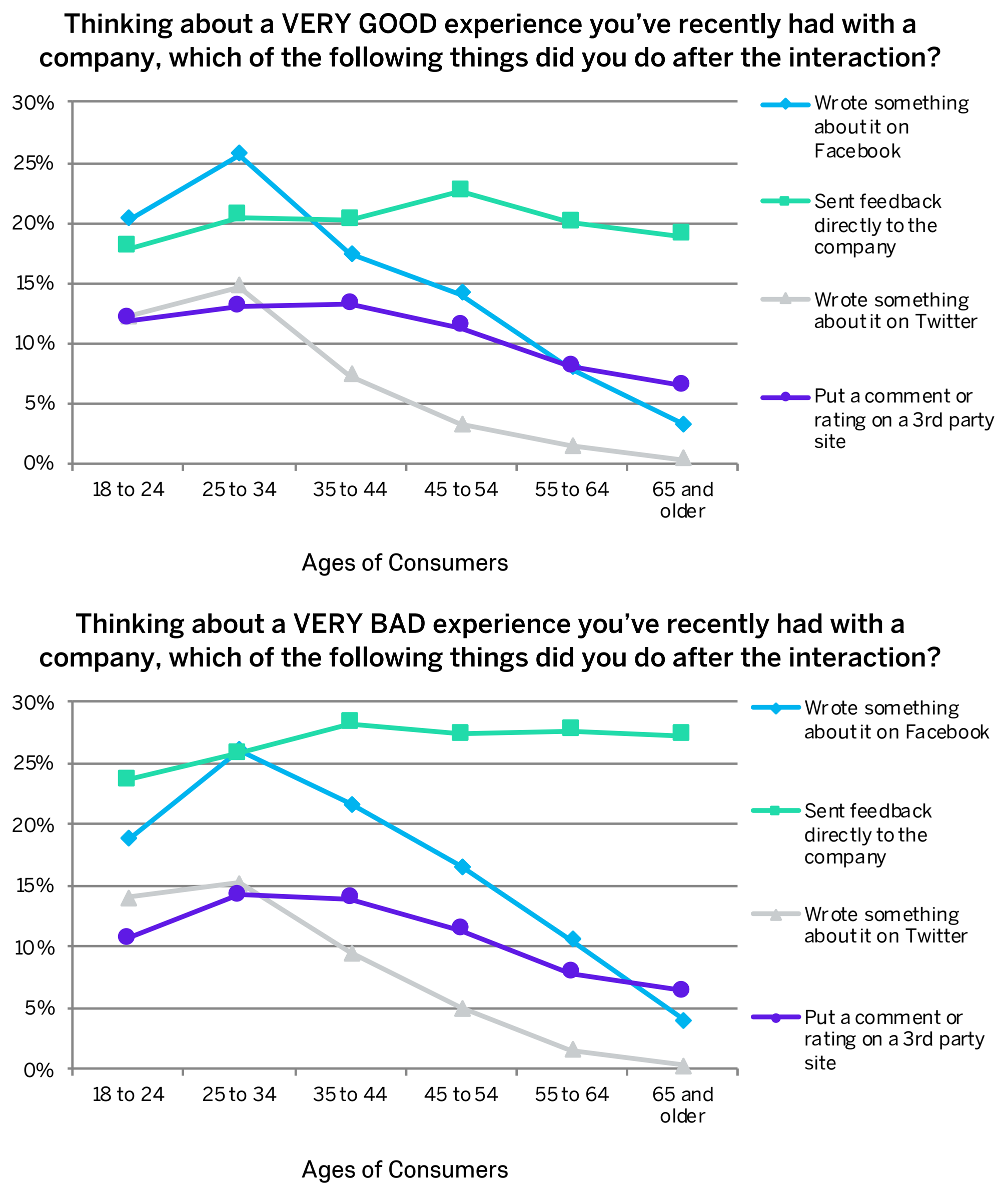

Changes in How Consumers Give Feedback
After a VERY GOOD Experience, 2013 to 2017
Thinking about a VERY GOOD experience you've recently had with a company, which of the following things did you do after the interaction?
Told friends about it via email, phone, or in-person
44%
48%
49%
50%
50%
I did not tell anyone about the experience.
34%
14%
31%
31%
32%
Sent feedback directly to the company via a call, letter, email, or on their website
20%
25%
24%
25%
23%
Wrote something about it on Facebook
15%
23%
18%
19%
17%
Put a comment or rating about the company on a 3rd party site like Yelp or TripAdvisor
11%
15%
13%
13%
12%
Wrote something about it on Twitter
6%
13%
9%
8%
6%
2017
2016
2015
2014
2013
Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2013, 2014, 2015, 2016, & 2017 Consumer Benchmark Studies
Copyright © 2018, 2019 Qualtrics®. All rights reserved.
Qualtrics XM institute™

Figure 10

How Consumers Across Age Groups Give Feedback After VERY GOOD and VERY BAD Experiences

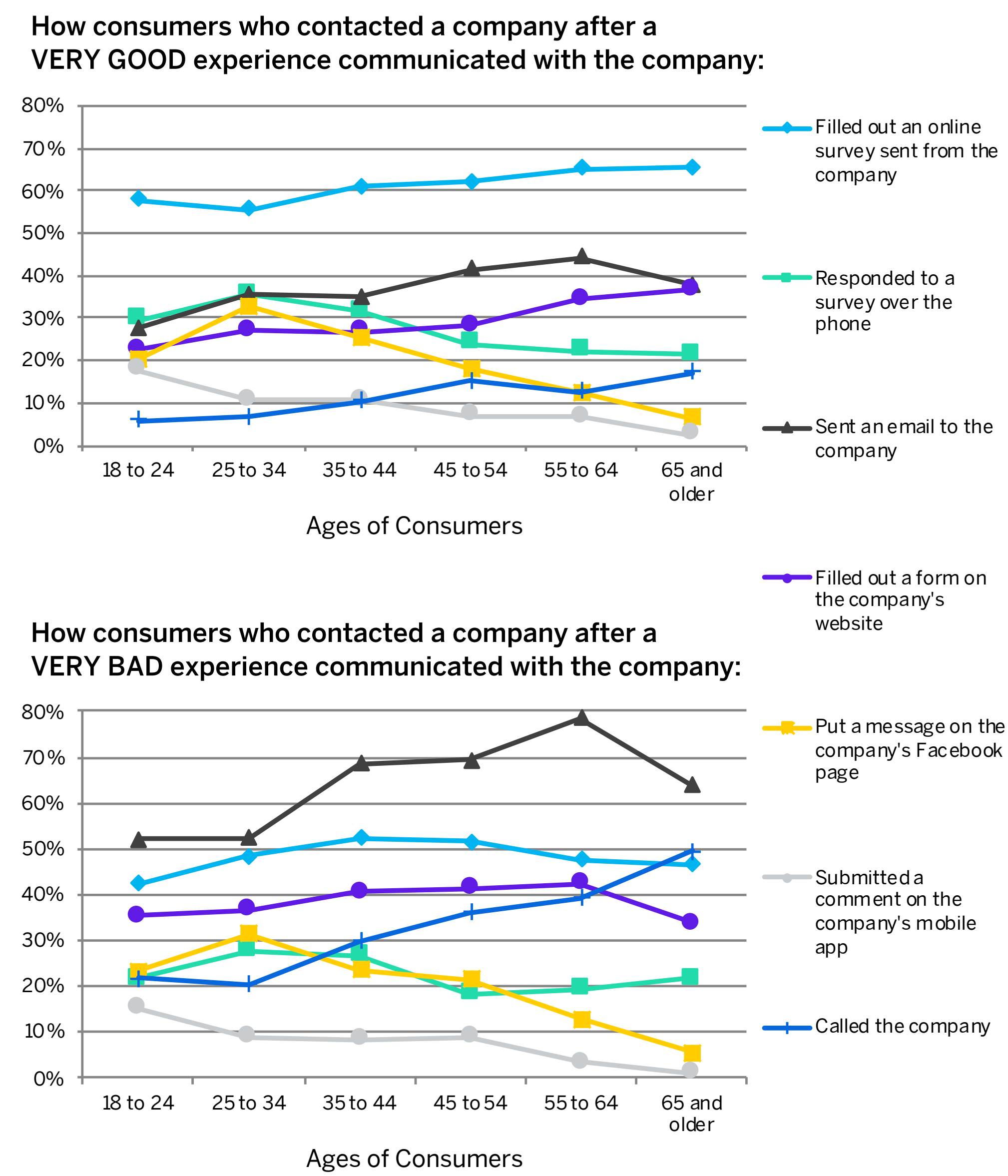


Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2017 Consumer Benchmark Study

Qualtrics XM institute™

Figure 11

How Consumers Across Age Groups Give Feedback Directly to Companies After VERY GOOD and VERY BAD Experiences



Base: 10,000 U.S. consumers
Source: Temkin Group Q3 2017 Consumer Benchmark Study

Qualtrics XM institute™

Figure 12