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Siegel+Gale Simplicity Survey: Turning Bad News Into Good Vibes



simple is smart

Overview

New Siegel+Gale Simplicity Survey finds organizations can strengthen customer relationships in times of crisis.

Clarity alone is not enough.

The challenge of delivering bad news

During this time of economic crisis, many organizations struggle to communicate unfavorable news—from lower earnings and shrinking market share, to cuts in service and increases in prices. While many assume that communicating bad news to customers shakes relationships and breeds mistrust, Siegel+Gale's latest *Simplicity Survey*, conducted in June 2009, reveals that delivering bad news *the right way* can actually strengthen customer relationships and lay the foundation for increased trust when conditions improve.

The key is knowing how to communicate bad news, so that organizations can turn potentially unpleasant interactions into relationship-building opportunities.

To study how organizations communicate during times of crisis and the impact these communications have on customer relationships, Siegel+Gale examined a wide cross-section of customer communications and selected four representative examples to test anonymously in an online consumer panel.

The four examples tested were:

1. A letter from a **charge card company** announcing an increase in late fees
2. A letter from a **major bank** announcing an interest rate increase on a credit card
3. A letter from a **not-for-profit institution** announcing budget cuts and seeking donations
4. A pamphlet from a **mortgage lender** introducing a new mortgage summary document

Successful organizations proactively seek opportunities to strengthen relationships when communicating with customers, even during times of crisis. Our latest Simplicity Survey finds that “bad news” doesn’t have to damage customer relationships. For those organizations that get it right, clarity, comprehensive explanations and respect are the three critical success factors that build trust and loyalty for the long term.

Overview—continued

Siegel+Gale evaluated the communications using our six proprietary Communications Effectiveness criteria:

- + **Comprehension:** Does key information register with customers? Can they answer factual questions about it?
- + **Clarity:** Is the communication jargon-free, well-organized, and intuitive?
- + **Credibility:** Is the information accurate, balanced, direct, and trustworthy?
- + **Relevance:** Is the communication personalized, insightful, and up to date?
- + **Usefulness:** Is the communication complete, helpful, informative, and easy to use?
- + **Engagement:** Does the communication create a dialogue and support action and decision making? Does it show respect and build relationships?

The main conclusion of this study is that it is not enough to communicate facts clearly. To strengthen customer relationships in difficult times, organizations must also commit to open, transparent communications and respect customers by offering complete and contextually relevant explanations for bad news.

Key Findings

The study revealed that there are three components of successfully communicating bad news—clarity, context, and respect.

1. Clarity counts

Communicating in plain language is the foundation for strengthening customer relationships.

Using easy-to-understand plain language is essential—the cost of entry for communication effectiveness. If the message is cloaked in jargon and legalese, unpleasant news is received as frustrating babble.

Our survey found that even if respondents didn't *like* the news being delivered, they grudgingly respected organizations that clearly spelled out their actions so there would be no confusion. This comment was typical:

“Even though my APR is increasing, at least I know the reason why it's happening. Because of this, I respect this company more.”

There was a strong correlation between clarity and relationship-building. Communications that scored highest in such areas as “easy to understand,” “jargon-free language,” “well-organized” and “informative,” also scored highest on Credibility and Engagement criteria.

2. Explanatory context is critical

Communicating clearly is not enough. Organizations must also credibly explain what's behind the bad news.

Our research revealed that it is not enough to be clear and to convey facts effectively. While most respondents understood the basic message of the materials tested, there was a significant gap between comprehension and scores on the other criteria, indicating that something beyond a customer's ability to understand the message was at play.

The missing factor, it turns out, was a comprehensive and relevant explanation that provided context for the action being communicated.

Key Findings—continued

Specifically, materials that did very little to offer a comprehensive and credible explanation of why the action was being taken scored the lowest on measures of Credibility and Engagement. For example, the letter from the bank raising credit card interest rates gave “market conditions and maintaining profitability on your account” as its sole reason. This made many respondents see the bank in a poor light, generating negative feelings during a time when banks are among the least respected institutions in America. One respondent commented:

“This makes me feel like the bank wants to squeeze me for all they can. They’re not interested in me as a loyal customer; I’m just a number to them.”

The letter from the charge card company announcing an increase in late fees gave absolutely no reason at all. For customers, this is even more offensive than offering an incomplete explanation. Without proactively communicating the reason behind the bad news, customers will often “fill in the blanks” and draw their own, far more damaging, conclusions, as in this comment:

“I don’t feel the company provided sufficient reasons for raising the late fee. They just want average customers like me to compensate them for losses they’ve suffered due to their own poor business practices.”

Conversely, the not-for-profit institution that announced budget cuts used 2½ pages to explain the impact of the economic climate on revenues and fundraising, detailed how and why it was cutting its budget, gave an overview of its plans, and reaffirmed its commitment to its core mission. The response in our survey was dramatic. On whether the communication “makes me trust the organization,” “makes me feel the organization respects me,” “makes me have positive feelings toward the organization,” and “makes me want to continue my relationship with the organization,” this communication scored twice as high as the letters from the bank and card companies.

It seems the old direct mail adage that “the more you tell, the more you sell” holds true in this situation. The letter from the not-for-profit was both exhaustive and relevant in its detailed explanation. Respondents appreciated the organization’s efforts to give the reasons behind its actions:

“They seemed honest and upfront. They were forthcoming and direct with their info, which is always good.”

Key Findings—continued

3. Respect trumps everything else:

Showing that you respect customers by explicitly committing to transparency – and then delivering it – is the magic bullet.

Beyond clarity of language and relevant explanations, there is one final ingredient that turns an awkward communication into a relationship-building moment: respect. Organizations must show that they respect their customer's intelligence and value their loyalty. As the study indicated, they should explicitly say—in convincing language—that they respect the customer's right to direct, transparent communications, and then they should follow through and deliver on this commitment across all channels and customer touchpoints.

One sample tested better than all the rest, and this was due to its explicit commitment to transparency. The pamphlet from the mortgage lender stated that it was committed to clear, easy-to-understand descriptions of loan terms and costs, and then it delivered with a sample one-page summary of mortgage terms. Even though the pamphlet itself was still fairly complex, it scored the highest on almost all measures. In particular, the document was perceived to be significantly more informative, balanced, and direct and made respondents feel most loyal to the company.

Given the current climate of mistrust toward business, it is clear from this survey that the path to rebuilding trust and loyalty is through respectful displays of transparent behavior. Explicitly stating that you're committed to clear communications holds organizations to a higher standard and requires the organization to "walk the talk." When an organization promises, and then delivers on, a pledge of transparency, customers are inclined to trust that organization even more. One impressed respondent wrote:

"This makes me feel the company is being straightforward and inviting me into their financial institution. I feel very good about this company."

Summary

Delivering bad news does not have to damage customer relationships

Though most of the communications we tested delivered bad news, *how* the message was delivered had a decisive impact on perceived relationships and loyalty. Customers prefer organizations to deliver bad news clearly and directly, but also to respect their intelligence and give credible context and reasons why unwelcome actions are necessary.

This *Simplicity Survey* found a strong correlation between clarity, context, and respect on the one hand, and trust and relationship-building on the other. Organizations that go a step further to communicate the reasons behind bad news gain significantly more trust and loyalty compared with those that don't.

If customers believe that organizations are forthcoming, provide an appropriate level of relevant detail to support their actions, and value and respect their customers, people are not only more accepting of bad news, they are also inclined to show such organizations deeper loyalty down the road.

Methodology

Siegel+Gale conducted an online survey in June 2009, using an online consumer panel. We tested four communications among a nationally representative split sample of 400 U.S. residents over the age of 18. Two hundred respondents read and answered questions for each of the four communications. Overall results are statistically significant at the 95% confidence interval +/-7%.

About Siegel+Gale

Siegel+Gale is one of the world's premier strategic branding companies and a pioneer in simplifying complex business communications. Since it was founded by Alan Siegel in 1969, the firm has applied the art and science of simplicity to create branding programs that have helped many of the world's best-known organizations excel. Driven by its philosophy of "Simple is Smart," Siegel+Gale has led the way in bringing innovation to the corporate branding field, including transforming complex, incomprehensible customer communications into plain English; helping clients create distinctive brand voices across all their communications; transporting brands onto the Internet; and aligning the brand experience for customers with the brand promise.

The firm has worked with an array of blue chip organizations, including AARP, Aetna, American Express, Bank of America, Dell, the Four Seasons Hotel Group, Harley-Davidson, Internal Revenue Service, Lexus, Merrill Lynch, Microsoft, Motorola, the National Basketball Association, Pfizer, and Sony.

Siegel+Gale has full-service offices in New York, Los Angeles San Francisco, London and Dubai and strategic partnerships around the world. It is part of the Omnicom Group Inc. (NYSE-OMC) (www.omnicomgroup.com), a leading global marketing and corporate communications company. Omnicom's branded networks and numerous specialty firms provide advertising, strategic media planning and buying, direct and promotional marketing, public relations, and other specialty communications services to over 5,000 clients in more than 100 countries.

Our Services

Brand Research

Design and execute research to inform and validate brand positioning and architecture. Assess brand elasticity. Measure the impact of how brands affect business results.

Brand Strategy

Uncover a company's unique and enduring value. Identify opportunities for brand growth. Articulate the promise in a succinct and differentiating way.

Simplification

Transform information-intensive customer interactions into positive brand experiences using communications analysis, information design, and plain-language writing.

Brand Architecture

Determine the relationship of the corporate brand to all its parts—business lines, partners, products, services—and provide a strategy for current and future branding and naming practices.

Corporate Identity Design

Design systems—proprietary visual vocabularies that distinguish communications, environments, and experiences—to support the core promise of the company at every touch point.

Naming

Develop corporate, product, and service names that clearly identify their purpose and adhere to the brand strategy.

Brand Evangelism and Training

Educate all members of the organization about the brand promise, identity, and experience to foster a brand-aware culture. Customized workshops and seminars supported by interactive and printed media show stakeholders how to live the brand day to day.

Internet Strategy and User Experience Design

Help our clients develop strategies that leverage the Internet to drive their businesses. Create highly intuitive, usable, branded user experiences for the Web, kiosks, company Intranets, and client Extranets.

Brand Collateral Development

Offer content development, graphic design, production, and motion graphics services to dramatize our clients' brands in all communications for the brand launch and beyond.

New York

625 Avenue of the Americas
4th Floor
New York, NY 10011
United States
T +1 212 453 0400

Los Angeles

10960 Wilshire Boulevard
Suite 400
Los Angeles, CA 90024
United States
T +1 310 312 2200

San Francisco

555 Market Street,
21st Floor
San Francisco, CA 94105
United States
T +1 415 284 9715

London

1 Riverside
Manbre Road
London
W6 9WA
United Kingdom
T +44 (0)208 735 8950

Dubai

The Loft, Building 2
4th Floor, 408/411
P.O. Box 502835
Dubai Media City
United Arab Emirates
T +971 4 423 0605



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www.siegelgale.com