



The Peak-end Rule **or How to save money and still** **increase customer satisfaction**

Gareth English – Head of Insight

The Peak-end Rule

A great challenge when working with customers is to ensure that they have the most positive reaction possible from their experiences, whilst still ensuring that you don't expend so much time and money that you can't possibly profit from the relationship. It would probably be a shock though to learn that spending additional time and money providing extra positive experiences could actually lead customers seeing the whole experience less positively. The reason for these apparent contradictions is something that psychologists call the Peak-End Rule and understanding it can save you money whilst increasing customer satisfaction.

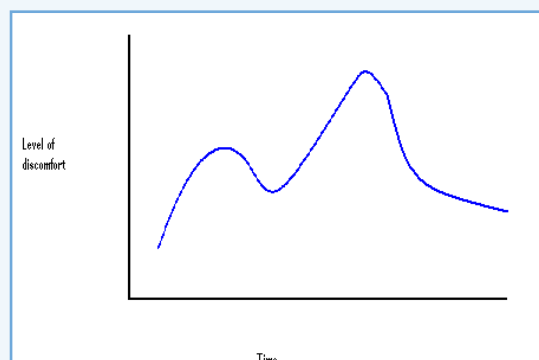
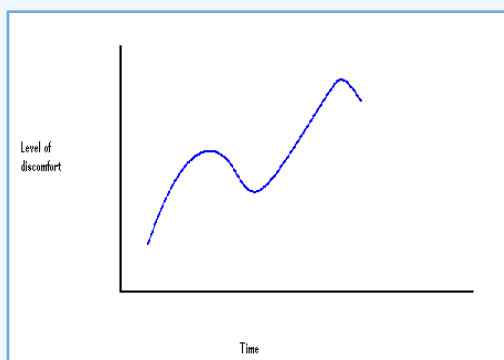
Key learning points:

- People are not rational
- Ensuring that the highpoint of a customer's experience is at the end will maximize their satisfaction
- Adding to a customer's experience could actually reduce their satisfaction with it
- Consider the peak-end rule as part of your customer experience mapping

What is the peak-end rule?

For a long time, it was assumed that people were rational: that they would make judgements and decisions based on logical, rational rules. However this has been found to be untrue and one of the key experts in the irrationality of people is a psychologist called Professor Daniel Kahneman, and they gave him a Nobel prize for his work (incidentally he became the only psychologist to receive a Nobel prize for Economics).

A rational person for example would prefer less pain to more, and would rationally be happier to receive additional gifts, rather than just stopping after the first one. However Kahneman found out that the opposite was true, that in the right situation we would prefer to have more discomfort and fewer gifts. Professor Kahneman was working with doctors performing minor procedures and was monitoring how much pain patients experienced as the procedure went on and then compared that to how they remembered the event. He found that the amount of discomfort that people felt did not match their memory. For example in the two diagrams below, it would be rational to assume that we would prefer procedure number one, as it stops sooner and therefore contains less overall discomfort.



The Peak-end Rule

However Kahneman's research found that the majority of people actually preferred option B. Despite the fact that they actually experienced a greater level of overall discomfort at the time, when looking back they actually remembered it more positively. This and other experiments prompted Professor Kahneman to determine that our evaluation of an event is best described by the midpoint between the peak experience and our experience at the end. So in the first example, the peak and the end are the same so the experience is remembered as highly negative, whilst in the second example the end is much less negative than the peak, and so the experience is recalled as somewhere in between the two.

So in summary the peak-end effect means that our evaluations of our experiences are quite different from the sum of their parts.

Popular misconception

I've seen a number of writers misinterpret Kahneman's work. The peak-end effect does not say you will recall the peak and the end most clearly. What it does say is that your overall evaluation of the event can be best described as the midpoint between the peak and the end feelings. Your overall impression will be the midpoint between the two.

However this interesting effect doesn't just impact on how we view negative experiences. For example, other researchers ² have found that this peak-end rule affects how we view more positive experiences. In their experiment people were given a free DVD as a form of prize. This DVD was either A-list (rated very highly) or B-list (rated OK). Then they gave some of these people a second DVD (again either A-list or B-list). After each person had received their one or two DVDs they were asked to rate how happy they were with their prize. Below is the order of those ratings.

1st	A + A
2nd	A
3rd	B + A
4th	A + B
5th	B

The Peak-end Rule

As can be seen, those people who received two great DVDs were happiest, whilst those who received only one average DVD were least ecstatic. No surprises there. However what happens in the middle is really interesting. If we were purely rational beings, then anyone who received A+B or B+A should be happier than someone who only received A: after all they have what the others have, plus something more. However that's just not so: in line with the peak-end rule, those who received A then B were only about as happy as those who only received B since A+B have the greatest difference between the peak and the end.

The lesson from this?

In the business context it reminds us that when looking at our customer experience, anything after the peak will be detracting from the overall evaluation, which could mean that we are spending time and money without improving customer's perceptions of us. On a personal note, you should also remember that when you buy someone a present that you're better off sticking to one great gift, rather than trying to get a great gift plus something else: that would just make them less happy!


So how do businesses apply this?

A very powerful example of this that I encountered recently comes from a luxury car manufacturer and concerned a client who was coming in to pick up their new sports car. The dealer sat them down and took them through their paperwork, whilst the customer looked around, wondering when their new car was going to be driven around. Once everything was finalised, the dealer stood up, said "I bet you'd like to see your new car now" then strode across to a car in the middle of the showroom covered by a dust sheet and whipping the sheet aside with a flourish, revealed the customer's shiny new car. This surprise, coupled with being able to get into their car in the middle of the showroom and drive straight out to the applause of everyone in there provided just the sort of razzamatazz that this customer was looking for. I would be very confident that this emotional high would represent the peak moment for them, ensuing that their memory of the purchasing process was extremely positive, which makes it more likely that they will return in the future, and also creates the kind of story that I'm telling you now! I also like that fact that this costs virtually nothing to achieve such a powerful outcome.

How to apply this yourself

One action is to look for what can be done to make the final part of the customers experience even more special? Try to look for a personal touch that you can add to that final moment of contact to increase the chances that they will come back again.

The Peak-end Rule



Take the time to consider where the highpoint is in your customer's experience. Is it when they walk through the door of your shop? Is it when you first talk to them, or is it when you relieve them of the problem that has been bothering them? Once you have identified this 'peak' consider the last interaction that your customers have with you. How positive is this? Remember that anything less than the peak will be dragging down their overall memory of your service. You can then look at what changes you can make to move the peak closer to the end.

This review can of course be expanded to form a more thorough customer experience map. We are of course happy to discuss how we can help you directly with evaluating your customer's experiences through our 'customer looking glass' service. To find out more, drop us a line at Gareth.English@lorienconnect.com.

References

1. Kahneman, D. & Tversky, A. (2000) Choices, Values and Frames. Cambridge University Press. UK.
2. Do, A., Rupert, A., Wolford, G. (2008). Evaluations of pleasurable experiences: The peak–end rule. *Psychonomic Bulletin & Review*. 15 (1), 96-98