

Effortless success?

How behavioural economics and 'being human' affects your business.

Not so fast!

Just as in real life, there's a conflicting paradox in the world of customer care and loyalty regarding effort.

On the one hand, I've always promoted the idea that we need to reduce customer effort as much as possible and make it easy and convenient for stressed out and pressured customers.

The advice is, "Make your customers work less and wait less, and you will sell more." Many retailers have responded positively to this in so many ways, including online ordering and delivery, the packaging of complementary products together in the shelves, and even opening convenient financial services in their stores.

And taking this thinking one step further, what we try to do in order to impress customers is to make it seem seamless from their perspective, as if this is something that we do all of the time. We try not to bother them with the details of what happens behind the scenes. It's almost as if we don't want customers to doubt our competence and capability in any way.

On the other hand, there's also an argument for this not always being true. When and why is this so?



In research carried out in 2011, the researchers concluded: "A ubiquitous feature of even the fastest self-service technology transactions is the wait. Conventional wisdom and operations theory suggests that the longer people wait, the less satisfied they become. We demonstrate that, due to what we term the labour illusion, when

websites engage in operational transparency by signalling that they are exerting effort, people actually prefer websites with longer waits to those that return instantaneous results – even when those results are identical."

(Buell, Ryan W. and Michael I. Norton. The Labor Illusion: How Operational Transparency Increases Perceived Value. *Management Science* 57, no. 9)

While they waited, the participants saw activity, such as airline flights being searched in a travel booking website, while others only saw progress bars. And when they were asked to rate the value of the service, those who saw work happening in the background, i.e. when the company showed

they were working very hard to make the customer happy, the satisfaction ratings were much higher – even better than quick results.

So customers perceive that the extra effort by the company increases the value of the service. "Look how hard they are working for me" is the mantra, and they are impressed. It may not be



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true that you sell hand-crafted shoes that are stitched by hand, but you can still manage their perceptions of the value they get.

It happened to me recently when I asked the butchery staff at my favourite store if they had any lamb kidneys. The young man disappeared into the refrigerator, came out holding a tray, and when I agreed how many I wanted, he painstakingly cleaned all the fat and sinews around them and packaged it nicely for me. Sure, it took a few minutes, but it was worth the wait.

You can see many more examples of this both online and offline. For example, a food delivery app informs you in real time of the tasks involved in getting you your pizza. A furniture manufacturer provides a video showing you the process of creating your favourite couch. Or a Japanese sushi chef prepares your meal right in front of your table.



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Many retailers now also offer a coffee service for customers, and the employee actually makes up your cappuccino while you stand there waiting, so you can see the process, and how they carefully make the little heart pattern on the top with the frothy milk. It's entertaining and impressive.

The value lies in showing how it's made, and it's not so hard to do in your store, and in fact not only could it lead to a more positive impression for your customers, but it may also give you a little bit of



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extra time to respond to their needs.

One suggestion is that you visibly display some of your operational elements to show how much effort goes into completing their transactions. For example, I know a few customers at my local retailer get upset by the staff who collect the on-line deliveries rushing to and fro between the aisles to get the delivery finished within an hour. As a user of their app, I don't resent that, and in fact I'm quite impressed with how much effort it takes to get it all out in sixty minutes!

Because of your transparency, you also build their trust. There's no need to cover everything that you do in a veil of secrecy. It's like a pilot that visibly works through all the pre-flight checks – it builds your confidence in their competence.

Another great example also shows the origin story of the products that you sell. If you import tea from plantations in Malawi, or cinnamon that comes from Mauritius, or even watermelons from the Magaliesberg, show visible evidence of how it

all happens and how it ends up on the shelf for your convenience and pleasure.

Other businesses highlight how much effort they put into the development of the products, service and even the premises. All businesses have depth, and a back-story. If you engage your customers with a narrative

that they can identify with, a history of how it all came together, it can be quite compelling for them. They see how hard it was to get to your success as you emphasise the 'rags to riches' chronicle. It's even more compelling when you share, not only the successes, but also lows and mistakes that you have learned from.

An awesome new chocolate factory recently opened up near where I live, and even though the products are really expensive, and the sweets are incredibly rich, it's exciting to go there for a treat – to watch them as they make the chocolate behind open glass windows. And then you read more about their back-story almost as if you are visiting a museum. **SR**



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Finding the right franchise fit



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South African franchising is a robust and resilient sector that contributes 15% of total gross domestic product (GDP) according to the latest Franchising Association of Southern Africa (FASA) South African Franchise Market Survey, up from 10% in the past decade. Franchises contribute 25% to 75% of economic output in other developed and developing countries, indicating plenty of room for growth in South Africa. If you are planning to start a new business, franchising may be for you, but how do you choose the franchise system that best fits your passion and skills?

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To franchise or not to franchise?

Deciding on whether to start your own business or become a franchisee depends on many factors, but a good starting point is to analyse your personality: If needing to make decisions on every detail of a business is important and you have difficulty following someone else's direction, then franchising may not be for you.

However, becoming a franchisee of a solid, reliable franchise system offers many advantages over starting your own business. Part of what you are investing in is a proven operation system, making it extremely attractive in the current economic environment.

The research also highlights what a stable and robust segment franchising is, with 89% of franchisees reporting that they broke even within the first year of operation, compared to non-franchise businesses that typically take 2 to 3 years. 53% of respondents have been in business for more than 10 years and 80% own more than 1 franchised outlet of the same brand.

Their business confidence levels are also higher than the broader economy, with 98% of franchisers and 88% of franchisees optimistic that turnover will grow over the next 12 months.



Decisions, decisions.

One of the first considerations is deciding which sector to buy into. You can find franchises in almost any industry but, currently, South African franchisees that are most optimistic about future growth are in automotive products and services; building, office and home services; and business-to-business service categories. Operators in the real estate and childcare, education and training categories are also optimistic, while those in the dine-in, fast-food and quick-service restaurant categories are less so.



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Let's talk about the money.

There are franchises for every budget and costs vary significantly by industry and business model. As a guide, the 2023 survey revealed that there is a correlation between the initial price paid (usually listed as the franchise fee and cost of equipment) and the size of the outlet, with small outlets costing an average of around R500 000 and very large outlets costing in the region of R650 000.

In addition, the FASA research suggests that average working capital costs are currently around R750 000 for a retail franchise, while an automotive product and service outlet requires about R400 000. Fortunately, financial institutions recognise that franchises are relatively safe business opportunities, so financing is readily available.

Go deeper.

By now you should have a clearer idea of the type of business that interests you and how much you have available to invest. The next step is to research potential franchises within those parameters. Your first source of information will be the company itself. It will typically provide you with material such as franchise brochures, links to franchisee testimonials, and data on the industry in general. But we strongly advise delving deeper by doing your own research on their reputation and, importantly, speaking to several franchisees invested in the same system.

Franchising certainly offers a safer way of getting into business and becoming financially independent. The value that a recognised brand brings and the support that an established franchiser offers are significant, as is the improved access to finance. By doing your homework thoroughly upfront, you'll be taking the first step to setting yourself up for success.



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