

The dark side of measuring the wrong things

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



Rory Sutherland

Rory Sutherland of Ogilvie UK tells a beautiful story about a pizza shop whose owner decided to do some 'marketing'. So he printed a bunch of vouchers giving customers 20% off and sent his staff out onto the streets outside the store to promote the deal.

The owner kept track of which staff were able to convert the vouchers best, and found that some came back with 20%, 30%, 40% customer conversion. But one waiter seemed to be particularly successful, and the metrics showed that he managed to convert 100% of customers. Every voucher he gave out resulted in a customer sale.

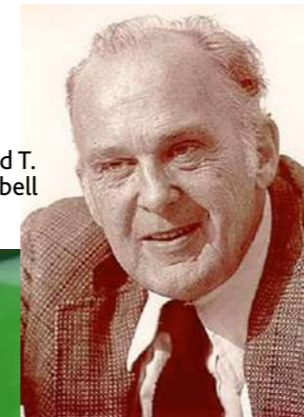
Intrigued, the owner said, "This is genius! What did you do to achieve this."

"Oh it was easy," replied the waiter, "I just waited outside until a queue formed and gave everyone 20% off."

It may be an amusing story, but I see this every day in my work with customer experience and customer loyalty. We are so focused on

measurement and metrics, and we lose sight of what we're trying to achieve.

In fact, this practice even has a name: Campbell's Law, which was developed by Donald T. Campbell, a psychologist and social scientist who often wrote about research methodology. It is an adage which states that ...



Donald T. Campbell

“The more a metric is used to make social decisions, the more it will be manipulated and distorted.”

Thus the more any quantitative social indicator is used for human decision making, and influencing people, the more subject it will be to corruption pressure and the more likely it will be to distort the precise things it is supposed to measure.

Here's another example. Many years ago a municipal manager responded to constant complaints by citizens that the garbage was not being collected properly and on schedule. So he proposed that at the end of every trip the trucks would be weighed to ensure that the collectors were doing their job.

You can guess what happened. The number of collection points didn't increase, but the mass did. The collectors were going past construction sites and other places where the loads were heavier, and indeed they even used the fire hydrants to water down what had been collected.

The metrics showed that the mass increased, but customers were still



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unimpressed. Incentives drive actions –employees and customers react to what you measure, not what you intend.

This basically means that people will cheat, and that includes customers, employees and other stakeholders. They don't do this because they have malevolent intentions, but simply because we spend most of our lives trying to make things as easy as we can. Life is too complicated to worry about details. And, as an aside, you have to also be very wary of staff who ask customers to give them a five star review. It happens! Measuring the wrong thing can lead to unethical behaviour.

I don't have a problem with measuring things in business, even though they do sometimes have some horrible consequences to managers in the businesses. I know the manager of my local retailer bemoans the fact that 'head office' is always putting him under pressure to increase profitability.

But some metrics, especially those demanded by the CFOs and 'scientists' in our businesses, are irrelevant and misleading. And they can be dangerous. For example, the predominant wisdom in boardrooms is that empathy slows you down, but efficiency is profit. Yet this trade-off is a myth, and is probably costing you customers – and even employees. And in the long term it's costing you revenue.

There are so many companies that ditch empathy for efficiency, and measure success by how quickly a customer vacates a table, or how soon a call ends, or a customer complaint is closed off.

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So many companies ditch empathy for efficiency

and-forth. Remember that in the longer term customer loyalty is not only free (or relatively cheap), but you actually make money from it when you don't have to scramble around trying to solve problems and persuade customers to come back.

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But when empathy becomes a ritual that must just tick a box, two consequences result: your customers leave because they are pressured, feel uncomfortable, and/or feel like they are merely a 'transaction'. But your employees also burn out because they have to choose between customer care and compliance.

Here are some ideas about how to tackle these issues. First, you're better off not wasting your energy and resources on irrelevant metrics, and rather take actions that truly make customers feel good about your business.

Second, ensure that you monitor the measures that you take for success and effectiveness. If people need to 'cheat' in order to get the right score, you have a big problem.

Third, when employees and customer care providers have to make a choice, train them in emotional intelligence and empathy to ensure faster resolution, fewer escalations, and less back-



Finally, make sure that the context of the measurement is correct. For example, many hotels are reliant on customer scores and reviews to determine customer satisfaction, but that doesn't really tell you the whole story of what happened over the whole stay over a few nights. Another example: The head chef in a restaurant meticulously checks every meal plate that goes out to a customer, but how many actually check to see what's actually coming back? Focusing too narrowly ignores long-term consequences.

This isn't magic, but it's often messed up. Many huge global corporations have paid a dear price

RECIPE Prep Time: 20min | Cook Time: 20min | Serves: 4

CHICKEN NACHOS

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INGREDIENTS:

1 Tbsp (15ml) oil
1 ½ cups (200g) mixed tomatoes, quartered
1 onion, diced
1 garlic, minced
1 chilli, sliced
250g corn tortilla chips
12 pieces chicken strips
2 cups (200g) mozzarella and cheddar mix

2 avocados, mashed
2 lemons, juiced
1 tsp (5ml) cumin
1 tsp (5ml) coriander
2 tsp (10ml) salt
1 tsp (5ml) white pepper
2 tsp (10ml) fresh coriander
1 spring onion diced
1 red onion, thinly diced

½ cup (80ml) red wine vinegar
1 tsp (5ml) sugar

½ cup (125ml) sour cream

METHOD:

Preheat the oven to 180°C.

To make your tomato salsa, heat olive oil in a pan over medium heat. Add onion and tomatoes, cook for 5-8 minutes or until softened. Add garlic, chilli, salt, and a tablespoon of water. Cook for 2 more minutes, then remove from heat.

In a deep ovenproof dish, assemble your nachos with a layer of tortilla chips followed by tomato salsa, chicken strips and finally cheese. Bake for 15 minutes.

To make your guacamole, in a bowl, combine mashed avocado, lemon juice, cumin, coriander, salt, pepper, fresh coriander, and spring onion. Mix well.

To make pickled onions, heat vinegar and sugar in a saucepan until the sugar dissolves. Pour the mixture over the red onions and let it sit for at least 30 minutes.

Serve nachos with guacamole, sour cream, and pickled red onions.

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misinformation, outrage-driven content and mental health concerns, as algorithms prioritised engagement over well-being. The company faced regulatory scrutiny and internal whistleblower leaks.

United Airlines prioritised on-time departures as a key performance indicator (KPI). In 2017, this contributed to the violent removal of Dr David Dao, who was dragged off an overbooked flight to make room for crew members. Staff were pressured to meet scheduling goals over customer satisfaction.

when it's gone wrong. Facebook measured success by increasing Daily Active Users (DAU) and time spent on the platform. This led to the spread of

And finally, American bank Wells Fargo set aggressive sales quotas for new accounts, measuring employee performance based on the number of new accounts opened. Employees, under pressure, created millions of fake accounts without customer consent just to hit targets. This led to a massive scandal, lawsuits, and a \$3 billion settlement.

So, are you measuring the right things in your business? **SR**



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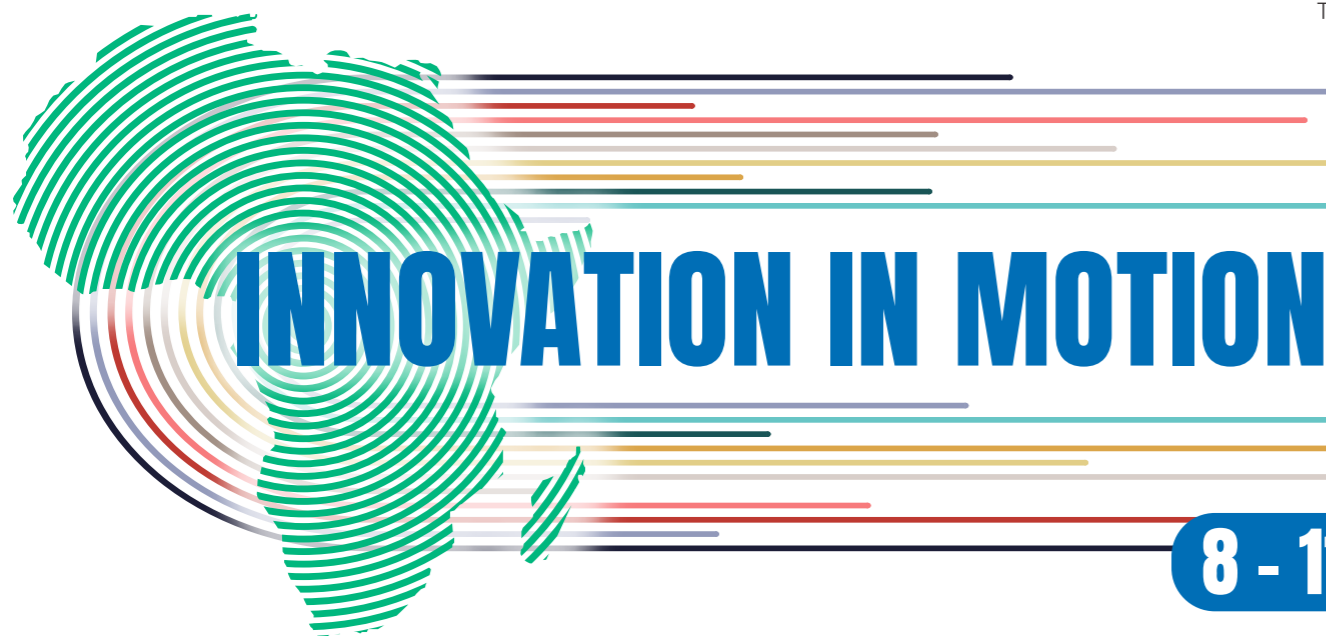
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