

Ep #7: Don't Let Efficiency Destroy Customer Value



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In today's episode, I'm going to talk about a bit of business school research from a completely different industry from law. But that tells us a little bit about how optimizing a system for efficiency can often end up creating a worse customer experience for your client. And that can have a negative impact on your clients' overall perceptions about you and your business. Ready to become a more agile attorney? Let's go.

Welcome to *The Agile Attorney* podcast powered by Agile Attorney Consulting. I'm John Grant and I've spent the last decade helping lawyers and legal teams harness the tools of modern entrepreneurship to build practices that are profitable, scalable, and sustainable for themselves and their communities. Each episode I offer principles, practices, and other ideas to help legal professionals of all kinds be more agile in your legal practice.

So not too long after I finished recording my last episode, which is about what clients really value in their interaction with a law practice or when they're getting a legal service, I came across this article from a totally unrelated field. So this has to do with self-checkout in grocery stores. And the question posed by this article is, does self-checkout impact grocery store loyalty?

And while at first blush it may seem a little bit weird to be talking about grocery store checkout in the context of legal services, I actually think that this goes to reiterate some of the things I talked about in terms of what people are looking for, and especially those emotional needs of that sense of advice and consortium. And again, this is a stretch, even as I say it out loud, I can hear myself, what advice and consortium are people getting from a grocery store checkout person? But I do think there's some. So I'm going to plow forward and hopefully, you all bear with me. And if you think I'm crazy, let me know. Shoot me an email and tell me what you think about this article.

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So as I said, the article comes from the news website of Drexel University. It is discussing a study that was run by a couple of professors at Drexel's LeBow College of Business. And those study authors are, and I hope I pronounce their names close to right. The first author, the lead researcher is Yanliu Huang, who's an associate professor at LeBow. And a former graduate student of Professor Huang named Farhana Nusrat, who is now an assistant professor at University of San Diego.

And I'll link to this full article in the show notes as well as to the actual scientific study, which was published in the Journal of Business Research. And I'll admit here that I'm going primarily off of the blurb on the Drexel University website. I haven't dived deep into the actual research paper.

And just as a quick aside, the article on the Drexel website is uncredited, which makes me wonder if maybe it wasn't written by one of the generative AI systems that tried to digest the whole big study and give the summary. It doesn't say so. I don't know whether that's true or not, but something we've got to think about in this day and age.

And I'll start just by reading a quote from Professor Huang, that sort of sums up the whole thing. "Our findings indicate that self-checkout systems, despite their advantages in terms of speed, ease of use, and cost reduction, can result in lower customer loyalty compared to regular checkout systems, especially when the number of purchased items is relatively high, e.g. more than 15 items." So just to unpack that for a minute. The advantages are speed, ease of use, and cost reduction.

And in terms of the value of those advantages, I think it's interesting to just try to unpack the balance between how much of that value goes to the grocery store, the provider, and how much of it goes to the customer. And I think the speed and the ease of use, ease of use is a questionable one. I'm personally not a huge fan of self-checkout. I don't find them easy to use at all.

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But let's say that they're there, and they are undeniably faster, especially when the lines are long in the regular checkout lanes and especially when you only have a couple of things that you need to buy. At least that's my experience. But cost reduction in particular, I don't think that most grocery store shoppers are thinking, I'm going to use the self-checkout lane because it's going to help keep my grocery bill lower unless the store is really giving an express coupon for using self-help. And I haven't really seen that much out in the world. I don't know if you have.

So the things that this article at least or this study is looking at as markers of value, speed, probably goes both to the customer and the store. Ease of use, I guess that managing from the store's perspective, managing the self-checkout robot is maybe easier than managing employees, it probably is. And then cost reduction undeniably at least over time these machines probably cost less money. And so this study is looking at the cost benefit.

This is a business school article, business school research. And so it's not going to be read by the customers at grocery stores obviously. It's meant to be read by the leaders in the grocery store industry and then other industries as well. And the article talks about the study. There actually were five different little research studies that were in here. And I won't unpack all five of them.

But the first one was very specific looking at a survey of people who had been grocery shopping lately who had used self-checkout versus those who had used regular cashier-led checkout. And that first study clearly demonstrated that regular checkout customers reported higher loyalty to the grocery store than self-checkout customers did.

Another one of the studies was pretty clear that the effect of using self-checkout on customer loyalty, the customer loyalty dropped the bigger the cart was, the bigger the basket size was. And, especially once you hit about 15 items, then people's frustration with the self-checkout system started to create decreased loyalty relative to using a cashier. So there's

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sort of a tipping point in terms of the amount of time and effort that someone as a customer of a grocery store has to put into doing the work relative to the benefit they perceive from sort of the speed and ease of use.

And so if I stop there and I'll admit part of what caught my eye about this study is my contention that assisted help, that when people are experiencing, and I'm switching over to talking about lawyers and legal services now, when people are experiencing these issues around mitigating risk and navigating complexity, which you'll recognize those terms from my last episode. And if you haven't, please go back and listen.

When people are experiencing these higher risks or higher complexity, challenges that there is a definite benefit of building a sense of consortium when you're working with them. Giving people a sense that someone is in this with them, that they're not alone in having to deal with these things. And so flipping back to the grocery store study, self-checkout isn't an inherently high complexity task. Scanning barcodes with the little lasers is not really that challenging.

But there are all these little things that happen where when you have more and more items, the complexity sort of ramps up. And the chances that you're going to get one of those stupid scale errors or that the machine is going to force you to call over someone to help you do something in the transaction, that ramps up. And that all, for me at least, increases my frustration with self-checkout and makes me not want to use it. And I certainly wouldn't want to go to a store that was only offering self-checkout or that that was going to be the predominant piece.

This is me editorializing obviously my own experience into this research study. And so my personal disposition is to say, "Great, assisted checkout is better than self-checkout in most situations." But then there is this last part of the study that was really interesting and it made me rethink a little bit about how we might learn something from this study in the legal industry.

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And again, I will quote Professor Huang around this. This is the fifth of the five studies that they ran.

And it says, “We found that when customers were encouraged to think of the extra effort involved in self-checkout as a rewarding experience, their perceived loyalty to the store was similar to those of regular checkout shoppers.” And I’ll go back a little bit and talk about what he means by a rewarding experience because it wasn’t an external reward. It wasn’t a coupon. It wasn’t an extra discount or anything that might be monetarily beneficial to the customer.

It was about messaging associated with using self-study that talked about how self-completing a task that requires effort can make people feel accomplished and intrinsically rewarded. So part of it was that the, and this is reading from the article again, “The purpose of the intervention was to influence participants’ perception of self-checkout. Making them think of the extra effort involved in self-checkout as rewarding and satisfactory.”

And again I use the term intrinsic motivation. For any of you who have followed the work of Daniel Pink, whose book, *Drive: the Surprising Truth About What Motivates Us*, is an excellent one. It’s now well over, I think, coming up on 15 years old. But it’s one that I continue to recommend to my clients and I’ll probably do a deeper dive episode on that in the future.

That book, in turn, relies a lot on the research of Professor Dan Ariely, who himself has some great books, including *Predictably Irrational*, that talks about how people interact with each other. And how things that we think are rational aren’t actually how most people behave a lot of the time. The punch line of those books is that intrinsic motivators almost always outperform extrinsic ones. Extrinsic ones being bonuses or things like that, whereas intrinsics are feelings of accomplishment or other things that comport with people’s personal values.

And so let me unpack the different parts of this study within the context of things we can learn here in the legal services industry about this. And

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again, I acknowledge the risk of reading too much about legal services into a study about grocery stores. And I also want to acknowledge that I'm using the study's terminology of store loyalty as a proxy for a customer's feeling of value from the transaction or from the interaction.

And so the first of my takeaways is that in general, personal interaction outperforms self-help in creating a sense of customer value. And the study doesn't really go into why, but I, again, think it has to do with this feeling of consortium - the little social interaction that you get from the cashier - more than it does the fact that they're doing the work for you. Although I think both of those probably contribute to the sense of value.

My second takeaway is that for short interactions, self-help can be fine. It actually can work well, especially when people value speed and convenience. But for longer or more complex interactions, meaning the cart with more than 15 items, then personal attention is still perceived by customers as more valuable than self-help. And this is consistent with a lot of the advice that I give to my clients and to legal professionals in general.

We in the legal industry tend to engage in a lot of what I think of as fence tracking, which is to say we have a chunk of work, usually client homework, and we love to sort of just chuck it over the fence and put it in the client's lap and say, "Hey, I need you to fill out this big, long intake form or I need you to give your responses to these interrogatories or these different forms of discovery." And that can be a really almost alienating experience. That is basically saying, "Hey, you do this work, you do the self-checkout of this part of the legal matter that I'm helping you with."

And I think that for little things like your name, your kids' names, basic contact information, things like that, no big deal. That is a short interaction where self-help can work well. But I think when you get into more complex things, and that might be financial accounts, that might be specifics around a transaction or interaction. The things you need for whatever legal matter you're helping with.

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I think that there's some value in sitting down and really working with the client to make sure they understand at least what you're looking for and giving them that sense of connection of consortium. And also making them smarter about what it is that you're expecting them to do. And I contend that for, especially more sort of complex requests of the client, you're way better off scheduling a meeting to get that information than you are just chucking it over the fence, even though it may feel more expensive from your standpoint.

I think number one, it's going to create a better customer experience. Number two, it's going to help the work flow more smoothly because you're going to spend less time waiting on the client to get that information back, which means the whole matter is going to move forward more quickly.

My third takeaway is the one that I didn't expect, although it does make sense, which is that the value of self-help can be boosted if you frame it well. So if you're encouraging people to see intrinsic value to themselves or a sense of accomplishment or empowerment for doing some work themselves, then their perceived value of doing that work is going to go up, even if it's a little less convenient for them.

And this is actually something that we work on a lot at the Commons Law Center. And I mentioned the Commons in the last episode. It's the modest means law firm here in Oregon that I was an original board member of. I'm currently the board president. And I do a lot of work with them operationally. I'm invested in helping the organization succeed.

And one of the things that the Commons has done is move towards a lot of limited scope and unbundled legal services. With the idea that for lower income, modest means people, a lot of the cost of full scope legal services is unattainable. Therefore we try to be more targeted in our ability to help people with the hard stuff, but then empower them to do more of the easy stuff themselves.

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But as I also mentioned in the last episode, that can be challenging when people are looking for that sense of consortium from their legal services provider. They want someone to be in it with them. And so some of what we try to do at the Commons, when we are asking people to either do the self-help work of giving us information so that we can help them, but also with helping them feel like sort of “you’ve got this” on some of the easier parts, is to communicate the value of becoming more empowered around handling your own legal matter, of understanding the case better.

And a lot of the work we do is in family law and one of the things we truly believe is that a client who is more engaged and more involved with helping themselves through, say, the divorce process, is more likely to have a stable relationship with their ex going forward. They’re less likely to have to come back for more legal work in the future because they actually were able to engage with it and get smarter about the legal system, the legal process themselves. And they weren’t totally dependent on a lawyer to do all the things for them.

But part of what this article, this little part of this customer checkout self-help thing teaches to me is that we probably can be even better in terms of the language we use to help people feel empowered on those parts of the legal matter that they are helping themselves do, or that they’re doing themselves.

The other thing that this brought to mind for me, and this goes to the sense of value as being the human interaction as opposed to the monetary exchange, actually goes way back to one of my earliest clients that I have done some consulting work with. And this was an immigration practice in California. And the lawyer in this practice was kind of swimming in unfinished work, stuff that they had started the process of doing, the green card application or the adjustment of status.

And had actually engaged the client so they were on the hook for this legal matter. But the clients weren’t getting their homework done. They weren’t

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getting the information back to the lawyer so that they could go forward with the immigration application and the binder creation and things like that. Those of you who are immigration lawyers will hopefully understand that I don't understand the language of immigration quite as well, but hopefully I'm getting close.

But the challenge we had with that law practice was how can we get the client to get their homework back faster? Because all of these open matters had a huge carrying cost on the practice. The lawyer had to spend a lot of time tracking and trying to understand who owed what homework back to the firm so that these things go forward. It also created this huge cash flow problem because this lawyer was actually working on a flat fee basis, but they didn't recognize the revenue.

They weren't allowed to pull the money out of trust and into their operating account until the initial application was prepared. And so there was a ton of money sitting in this lawyer's trust account that they couldn't access because we were dependent on the client in order to do something before the law firm could actually deliver their end of the work.

And so we ran a couple of experiments and I'll admit these are not scientific experiments. This is not a research study. This is what happened in one practice with us one time, but I do think it's interesting what we learned. And so in the first experiment we said to the clients, "Hey, we will refund you a chunk of money from your flat fee if you get your homework back to us within" I think it was "three weeks." I don't remember exactly, it's been a while, but we went with the outright bribe.

If you get your work done faster, you're going to save a couple of hundred dollars on this overall legal matter. And as we ran that study, it worked a little bit. And again, I don't have the data in front of me. In fact, I don't have the data at all anymore because it was all within this firm. But my recollection is that the client's rate of returning homework on time went up a little bit, maybe 10 to 20%. So it was an improvement, but it wasn't Earth

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shattering in terms of getting the behavior that we hoped to see from the client.

The other thing we tried though with a different set of clients was the one that was actually a little bit more expensive in terms of the time and effort it took from the law firm. And for those clients, the lawyer had their paralegal manage the homework process a little bit more actively, actually a lot more actively. And so at the outset of the homework assignment and it was basically all these documents that people needed to get copies of and send back to the immigration firm.

And the paralegal would send them a literal punch list, a checklist of these are all the things that we need. Please get them back to us within the next three weeks. But then there were a couple of other components to the messaging. One of them is, please don't wait until you have all of them in order to send us the package. As soon as you find one of these documents, take a picture with your phone or scan it or do whatever you need to do and send it to us now.

And we'll help manage what you've already given us and what you still need to give. So that was part one, is a little bit more active instruction around the homework assignment. Then every week the paralegal would follow up with a quick email to each client that was part of this sort of phase two of our 'research study'.

And that email was, "Hey, client, just a reminder that we're looking for this information from you or these documents from you. Here are the ones you've already given us," and the bullet point of all those docs, "Thank you very much for getting these done. These are the ones that we still need from you. One week of your three weeks has now elapsed so please make sure that you spend some time trying to locate these documents and send them to us as soon as you can." And obviously that email went out after week one, after week two and then as the deadline approached on week three.

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And what we found was that those interactions, those little things, the active project management of the client, not as the customer for the process, but as a resource in this project, yielded a much better return on investment. And again, I don't remember the exact numbers. But I think it was well over half of the people that were getting actively managed actually got their homework back in that three week window.

And that was a tremendous improvement over the status quo or the original case of just sort of throwing the assignment out there one time and then waiting until the client paid attention to it. And there's a lot of reasons why that might have performed better. But number one, it's interesting that that performed quite a bit better than the outright bribe.

And we didn't look at the pure economics of it, but we kind of figured that based on the salary of that paralegal, that the firm was actually spending less money doing those follow-ups than they would have done on the \$200 kickback or refund that they were giving for people on the first part of the study or the first experiment that we ran.

And I think it really goes to show the power of that consortium, the power of feeling like there is at least one other person out there that's sort of paying attention and helping you through this. And a little bit of that is probably the dopamine squirt that the client gets from saying, "Someone is thanking me for the work that I've already done." So there's sort of a positive feedback loop there.

And then there's also the little cortisol, the stress reaction of, and this is the work that you haven't done yet. And I think there's a form of accountability partnership. I think there's any number of things that go into that social relationship. But the reality is, is that it's a social relationship. There is some minimal amount of human connection between the client and the paralegal and the paralegal as the representative of the firm that motivates the client to do the work themselves. And to do it faster and do it in a time frame that is beneficial both to the firm and the client.

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One of the things I talk about a lot again with my clients in sort of this more active management of client homework is, that you have to recruit the client to their own cause. I think I talked about this in last week's episode as well. That people's motivation for dealing with their own legal problem, it varies. It's high at the moment when they first hire a law firm, but that motivation can dwindle over time. And by making those personal connections, making those person to person interactions and they're not even that. It's an email, so it's not a great person to person interaction, but it's something.

And I think that helps keep the client motivated to get through the legal thing and to accomplish the legal goal that they wanted to accomplish. I'm going to leave it at that, again hopefully this isn't too much of a stretch. It is grocery stores, it's not legal services, but I think there's something we can learn there.

And I think that it goes to reinforce and reiterate this idea that I introduced in the last episode that connecting with your customers, connecting with your clients, giving them that interaction, that sense of consortium, can go a long way towards creating a sense of, in the sense of grocery stores, customer loyalty to that store. But again, I think more broadly that is a term that is a proxy for the value that people perceive in the interaction.

And I think that law firms and law firm owners can learn a lot from the importance of making sure that they're having those personal interactions with their customers, with their clients as often as possible. And that doing that is going to improve the sense of value overall.

Thanks for listening to *The Agile Attorney* podcast. I'm your host, John Grant. If you found today's episode interesting or useful, please share it with someone who you think would benefit from a more agile approach to their legal practice. If you have any questions, feedback or maybe a topic you'd like to hear me cover, you can reach me at john.grant@agileattorney.com.

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