

Customer first thinking.



The Customer Experience Gap

An Interview with Colin Shaw, CX Pioneer and Founder/CEO, Beyond Philosophy

Colin Shaw:

Colin Shaw is one of the world's foremost experts on customer experience and the author of "The Intuitive Customer".



You hear it practically everywhere these days – the mantra, We Put Customers First. A claim every business now believes it needs to emphatically declare. It shows up in corporate mission statements. On wall posters. In Letters to Shareholders. On the corporate web site. In anthem videos. Even CEOs will give lip service to it, except, of course, when they're in front of shareholders. Because, for most businesses, profit still comes first. But since that is no longer politically correct to admit, at least out loud, most businesses prefer to give the impression they care a lot about their customers.

If that was true, of course, customer satisfaction levels would not have flatlined since 2010. Over that time span, according to the American Customer Satisfaction Index, almost 80% of companies have been unable to improve their customer satisfaction ratings. The easy fixes were checked off long ago – the worst pain points alleviated. The challenge today is living up to the continually evolving expectations of customers. Which is why CX has moved to the top of the corporate priority list. Every business leader now

realizes that the quality of the customer experience has become a competitive battleground.

The problem is that digital disrupters keep moving the goalposts, raising customer expectations even higher. While COVID panicked companies into upgrading their e-commerce infrastructure, there remains a large gap between the transformational changes that need to be made and the capability to make them happen. An even larger gap exists between what businesses think they know about the needs of customers and what those customers actually see as essential. That knowledge gap is difficult to eliminate if a business is not close to its customers - if it has no clue how customers feel about their experience. Without knowing the true extent of those feelings, it becomes hard to know what should be fixed next.

Lack of corporate urgency is also a factor. If a business is content with incremental improvement, or is just looking to muzzle the noisiest complainers, or prefers to minimize the pain that accompanies radical change, customer attitudes are unlikely to improve anytime soon. Even the most ardent internal crusader will eventually wilt after too many times hearing "That's not how we do business". For a transformation initiative to succeed, everyone has to buy in to the importance of it. Especially executive management.

An unequivocal CX vision statement and charter will help to keep everyone aligned and on track; otherwise the internal barriers will seem insurmountable. The transformation process begins with customer insight – what customers really want, even if they don't quite know themselves – followed by a reimagining of what an ideal experience looks like. And then the various transformation initiatives must be carefully lined up and staged based on the financial trade-off between the best interests of the customer and the degree of time

and effort required. The eventual payoff must be clear to everyone and that means figuring out the impact of those changes on future cash flow. Above all, it means developing an organizational culture committed to putting customers first.

All of that can be a complex and formidable undertaking. Which is why it requires a customer experience pro like Colin Shaw to craft a proper transformation roadmap. He is a pioneer in the field, having written a series of best-selling books on CX. His latest book, “The Intuitive Customer”, explores why companies are struggling to improve their customer satisfaction, starting with the fact that people’s intuitive feelings about their experience matters much more than what they might rationally think about it. People’s loyalty, he believes, is formed out of memories. The goal in experience design, therefore, is to leave people with memorable moments.

I started by asking Colin what motivated him to start his consultancy 20 years ago when at that time customer experience was not the hot topic it is today.

CS

Colin Shaw (CS): Yeah. So my, sort of, history at BT, that I’d been in sales, been in marketing, been in customer service, been in training, and therefore, I guess, the point I’m trying to make is I’d seen a wide gamut of different departments, seeing the lack of coordination between those departments, seeing the implications from a customer service perspective. Obviously if you’re in the telecoms business then back in those days you were selling telephone calls basically, so it’s a pretty commoditized business. And then, Pine and Gilmore’s book, “The Experience Economy,” came out in probably ‘98.

SS

Stephen Shaw (SS): ‘98, yeah.

CS

I read that. Bloody hell, yeah, this is what’s gonna happen, and therefore, tied that with my operational background to effectively go, “Well, the theory’s okay, but how does it actually happen in a business?”. And then, spent the next couple of years trying to improve the customer experience at BT, and realizing there’s been some good things, did some not-so-good things. I learned from both of those and thought to myself, “Yeah, I think this is gonna be a big area of change for business.” So I had that very difficult conversation that you do with your wife when you want to suddenly take a big career jump and think to yourself, “Well, maybe I’m gonna end up in the local job center looking for a job in six months if this doesn’t work.”

So yeah, set up Beyond Philosophy back in 2002. Well, we started back in 2002.

SS

Beyond Philosophy was the name. What was the thinking behind the name?

CS

The thinking was and still is, and this is something that I think is really important actually. When I was back in corporate life, there was a load of clever people that used to come in from all of the big consultancy companies with great ideas. But when you then said, “How do we actually do that,” they used to run a mile basically. And therefore, for me, what I’m trying to indicate by that is to say you’ve gotta have a philosophy or a strategy, but you’ve then gotta go beyond it and do something. The best thinking in the world means nothing unless you can operationalize it, and do it, and actually change a customer’s experience. So you’ve gotta have the thinking, and the strategy, and the philosophy, but you’ve gotta go beyond it and do something. So don’t just talk about it, do it.

SS

Yeah. And so 2002, really, the mobile phone really hadn’t appeared on the scene except for BlackBerry probably, and flip phones.

CS

2007 was when the iPhone came out.

SS

Yeah, and changed everything, but 2002, very different time, still very call center oriented. Is that where most of your early client work came from, really just, sort of, fixing those basic operations, those basic contact customer service operations?

CS

No, not really, to be totally honest, although my background, my last role in corporate life was running call centers. But no, the early work was more in the strategy jobs, and that’s, again, where we’ve tended to focus these, more in the strategy work of helping people understand, first of all, what a customer experience is because a lot of people’s perception of what it is and what my view is is different. And the second area is, you know, setting that strategy but then, again, getting down into the implementation of, how do I actually do this? So great to have a strategy, theory, values, all those things, but what in the hell does that mean that we do? How do we measure it? How do we monetize it, all those types of things? (9.02)

SS

So you went, and I’m just curious, knocking on client doors when you started up, I mean you could obviously reference

your experience at BT. But was it a hard sell at that time? I mean, customer experience was not that common a term, notwithstanding Gilmore and Pine's pioneering work back in the late '90s. Was that a hard sell or was that an easy sell at the time?

CS

It was hard and easy in hindsight, and what I mean by that is, customer experience, nobody understood what in the hell it was, and therefore, we used to spend the first period of time with a client talking about it. I had written my first book on the subject and we launched the company with it, so I had the credibility of a big publishing house, Macmillan, publishing the book, and therefore, that gave us credibility. We would speak on the speaking circuit. So it was difficult for me, a sense that people didn't understand what a customer experience was - easy, from a sense, was there was loads of people that wanted to learn about it. So we used to spend most of our work, even to this day, comes to us from requests, so we don't really advertise. I don't pay to go and speak at a conference, people pay us. So we get all of our requests coming into us inbound as opposed to paying for outbound. That's obviously changed over the years as more and more people have got into the marketplace, but obviously by that point we've built up a reputation and all the rest of it.

SS

But also the demands for help has to have increased given the complexity.

CS

Yes, absolutely. No, the demand for help absolutely increased it. So it started off with me and a colleague and the team has grown to 20 people basically. We've got people that are in the team that go out and do lots of work with clients.

SS

So we're gonna swing back to how you do that a little later on in this conversation. I do wanna talk about your most recent book, however, and as I said, I thoroughly enjoyed the book. It's quite different than most of the marketing-related works that I consume. One of the main tenets of the book is that knowing how people actually feel about an experience, not what they think about it, is pretty important, how they remember the experience. And I think one of your other key tenets is that loyalty is, in fact, a function of memory. Have I got that right?

CS

Yeah, absolutely, and I think that's probably the biggest thing I've learned in the last 10 years. For me, I don't

consider this rocket science, but there's a keyword, "customer experience." You have to consider the word "experience." What is an experience? And by definition, if you think about human experiences, and I'm not talking about customer experiences, we human beings have experiences all the time. Our life is full of experiences, whether they're family experiences, vacation experiences, sporting experiences, customer experiences, we're having experiences all the time. So the issue becomes, for me, is to really understand how to design a customer experience you need to understand how and why people tick, and why they do what they do, okay?

And so in my first book I talked about a rational experience, and then, and another part, which still has grown in understanding but still not where it should be, an emotional experience. But when you then talk about... here's an interesting question for you, what causes an emotion, all right? So you start to look deeper into some of the psychology around things. And what I realized was it's not just rational, it's not just emotional, but there is this whole area of subconscious that influences how we make decisions. There's the whole area of psychology which affects how people make decisions, and I'm trying to be careful with my words here, in the sense of, what I'm saying is how people make decisions. So this isn't just customer experiences but generally, how do people make choices? And then going, "Okay, now we know how people make decisions. How does that apply to a customer experience?" From our last book, it's called "The Intuitive Customer," I teamed up with a guy called Professor Ryan Hamilton. He teaches consumer psychology at Emory University, and we wrote this book back in 2016, and I've learned a hell of a lot of it from him and from many other people. And we do a podcast by the same name because we were just having such a good time talking about it and discussing it all.

So let's get back to, and I haven't forgotten your question about, sort of, that memory part. Because for me, this is literally one of the most important things I've learned in the last 10 years. So let me ask you a question, Stephen. Tell me about the last restaurant you went to. (14:57)

SS

The very last restaurant I went to? Okay, a half decent restaurant called e11even, which is owned by Maple Leaf

Sports and Entertainment. It's right outside what used to be called the Air Canada Centre, now the Scotiabank Centre. But it's a place I usually go to after, say, a hockey game or something.

CS

Okay, and what's one of the best restaurants you've been to?

SS

Oh, my goodness. Because of the pandemic, sadly, really my wife and I haven't been to a great restaurant in probably two years. But there's a nice, little place downtown that we love and have been to several times since, and probably will go back there now that this pandemic is, kind of, receding. So yeah, they'll be two different experiences for sure.

CS

So I guess the interesting thing is, what are you doing when I ask you that question? What you're doing is you're going back into your memory of what the last restaurant was, what the best restaurant has been. So by definition, memory is really important to customer loyalty. So there's a guy called Professor Daniel Kahneman. He's one of my heroes. He has written a number of good books but he's also won the Nobel Prize for Behavioral Economics. And what Kahneman [inaudible], and therefore, behavioral economics is, how does money effectively drive behavior, right, or how does behavior drive money, should I say, the other way around? And what Kahneman talks about is that we don't choose between experiences, we choose between the memory of an experience, okay? And I'm gonna repeat that because I want your listeners to really think about it. We don't choose between experiences; we choose between the memory of an experience. So when I say to you, if I was in Toronto and I said, "Hey, Stephen, where should we go for a meal?", you would think about the restaurants that you could take me to, and that is a function of your memory. And therefore, you'll be going, "Yeah, there's this one around the corner that me and my wife go to, and it's really good," and you'd go there. So by definition, loyalty is a function of memory, okay? And therefore, memory is even more important than the experience that you have. (17.50)

SS

Is that a binary, positive/negative, or is that a spectrum of emotion?

CS

Yeah, no. So what I've learned is nothing is ever binary. Everything is never black or white, there's always shades of gray. So to answer your question a bit and to help think through this, what Kahneman talks about is how we remember an experience, okay, so again, just in our general

lives [inaudible] is we remember the peak emotion that we felt and we remember the end emotion that we felt. Now to your point, the peak emotion or the end emotion can be positive or negative. It could be that you have a good peak and a bad end, yeah? What Kahneman talks about is the endings are even more [inaudible] than the peaks, okay?

So the issue starts to become when you start to look into this whole area of behavioral science and you start to understand it, which is, again, what the book and the podcast is about, you start to realize that you need to understand how customers think and how they make decisions to be able to understand things like the peak-end rule, to be able to ask yourself questions like, "Well, if I'm doing journey mapping, where is the peak emotion that my customers are feeling? What is the end emotion that my customer is feeling? And moreover, is that the emotion that we want them to feel? And does that emotion drive value or not?" So will that provide us with a return or not, yeah? And most organizations, A, don't know the emotion that they're trying to evoke, and they certainly don't know if it drives value, and they certainly, most of them, again, haven't heard of things like the peak-end rule and stuff like that.

And therefore, this whole area of behavioral science, which is where subconscious and psychological stuff comes under the banner becomes important. The key for me is, okay, now I've understood that theory, going back to this Beyond Philosophy bit, I've understood that theory. What does that mean I should do in designing my experience? How can I use that? So if I know that memory is really important, what are the implications of that, and what should I do, and how do I do it, so on, and so forth?

SS

That part certainly resonated in the book. Now marketers are, kind of, long known, like, the whole area of motivational research began in the '50s about the importance of emotion, certainly as far as advertising impressions go. But what's, I think, novel about your approach is that you're actually applying it to the...what did you call it in the book, the "deliberative experience", I think, is the phrasing you used. But there's also this issue of a rollercoaster of emotions across different channels with the same company, where you have a bad experience here, an okay experience here, and so therefore, the takeaway from that is, what, an averaging out of those emotions, or as you put it, "The last emotion you felt?"

CS

It's an averaging out but with a bias towards the end, okay? So again, if I was to quiz you on your best restaurant, the best restaurant, there will undoubtedly have been times that you've had there that things didn't go 100% well, but you've not written it off but that hasn't been a peak. It could be that they did something really bad to you, I hope they don't on your next visit, that is such a peak of an emotion that makes you go, "I'm never going back there again." So here's the interesting thing again, it's when you say to someone, "Well, what's your best restaurant or whatever?" What you're doing in an instant is you're making a judgment about, A, what do I mean by best, and B, choosing which one. (22.32)

SS

Well, it can be contextual as well, right?

CS

Yeah, and all of those things are, and this goes down to the book title and the podcast title, "The Intuitive Customer." So you are, intuitively, you are making a gut decision based upon all of those things. When I say, "What's the best restaurant?" it's an intuitive choice, okay? You don't sit down and say, "That's a very interesting question, Colin. Let me get a spreadsheet out and let me mark down what happened last time I went in there," and etc., etc. It's not a rational choice, it's an intuitive decision. The interesting question, which is why I get so fascinated in this area, is, "How did you make that intuitive choice?" Because what you want, again, your restaurant, Stephen, wants you to make an intuitive decision. They don't want you to think about which restaurant you're gonna go to. They want you to automatically go, "I'm going there."

SS

Yeah. Well, that leads me to another, I thought, fascinating part of the book was this idea of information overload, cognitive depletion you use. I love that term, "cognitive depletion." Cognitive misers, love that term, too. But is that just a polite way of saying people are really lazy, irrational thinkers?

CS

No. So again, this is why Ryan and I, the cohost on the podcast, get on so well because he comes up with all these wonderful phrases like "cognitive depletion." So what does that actually mean? It means I'm tired, yeah? So it basically means that when you make a...so again, let me take a step back. We effectively have got two parts, two main ways we make decisions, intuitive and rational, okay? The intuitive

decision is a decision that's made automatically. You don't have to think about it. Critically it doesn't take much effort to make a decision, okay? The rational part of your brain makes rational choices, okay? So if I said to you, "What's 147 times 212," you would have to sit down and think about it, and don't ask me the answer because I haven't got a bloody clue, but you get the idea, okay? There's effort that has to go into there so the rational part of your brain will chime in.

Under normal circumstances, we make intuitive decisions because it's easy, and it's instantaneous, and it's always there, and it's based upon what we've done before, and habits, and various other things. And human beings have evolved to make those types of choices because effort takes thinking about, or thinking takes power, energy. Where do we get energy from? Food. Three hundred years ago, food was scarce, and therefore, we developed, evolved, in a way that we do things that are the least effort, okay? Rational.

SS

I think it's called the cognitive revolution when homo sapiens had enough food to feed their brains, their growing brains.

CS

Correct, absolutely. So cognitive depletion is a very posh way of saying, "I'm tired and I don't wanna think about it."

SS

And we have, and you point out in the book, we develop all kinds of heuristics, and rules of thumb, and so on, to help us with that decision making.

CS

Correct. And therefore, going back to your restaurant, if I came around to your house, you'd had a hard day at work, and I said, "Which restaurant should we go to?" you'd probably go, "Let's just go to this place." In other words, "I don't wanna think about what type of meal I'm gonna have," or whatever, whatever, whatever. "I'm suffering from cognitive depletion, Colin. I don't wanna think about it, I'm just gonna go here." (27.0)

SS

I wanna delve into another area of the book which I thought was also really interesting, and that is this idea of an emotional signature, and you use the term "emotional profiling" as well, where you'll go into a company and basically establish where they stand on that emotional spectrum. But how hard is that to change? And the example I think of immediately, and because of your BT background, is telcos. I mean, frankly, as you know, both in the U.S. and Canada, they're viewed with disdain by most

consumers, and as well, they're always at the bottom of the NPS rankings. When a whole industry is viewed with such disdain and all the players are viewed as the lesser evils when you go to make a choice, how is that even possible to reverse? It must take years to create enough exceptional experiences that you begin to change people's minds about a particular company.

CS

Yeah, I mean, you're raising a number of issues there. I totally agree and I'm constantly banging on about how bad cable companies are, okay, and it just seems to be like a race to the bottom all the time, and why is that the case? Well, actually because they're making enough money as they are, and actually, in a lot of areas the competition isn't that stiff. And therefore, I make enough money so the desire to make the change is not there. So one of the things that we did back in the day, and this is, like, 2005, I remember standing up at a headquarters of an insurance company in Germany and talking to them about an emotional customer experience and talking to a bunch of actuaries about an emotional [inaudible]. Now not wishing to nationally label nations with stereotypes, but German actuaries are not known for their emotional engagement or emotional intelligence.

And one of the guys there, rightly so, said to me, "Colin, I understand you talking about all this emotional stuff, but prove to me that we will gain a return from this." And that was a very good challenge, okay? And we went on a quest of trying to understand which emotions drove value. If I evoke, cared for, trust, valued, or frustrated, annoyed, whatever it may be, which emotions would drive most value for me, in other words, get me the biggest return, revenue, market share, whatever it may be?

And what we discovered was that there are 20 emotions that drive and destroy value, all right? Now why am I telling you all this? I'm telling you all this because being able to prove to left-brain organizations that if they embrace this emotional behavioral science type of aspect and being able to statistically show them that their emotional signature and what they can do to change it is appealing to them because it is looking at the world through their eyes of numbers, and research, and statistics, rather than just going, "Hey, I think this is a good idea." So let me give you an example of an organization that has done that.

So we worked with Maersk Line. Maersk are the largest container shipping company in the world and they are very left-brain oriented, and they improved their Net Promoter Score by 40 points over a 30-month period that led to a 10% rise in shipping volumes by focusing on the emotional parts of their experience. Now this organization are very left brain by definition because their shipping can't go around the world, but you could do that by showing the management team, the senior team, "Look, if we do this, if we start to embrace this side of an experience then there is lots of opportunity."

The problem with telcos is they don't see the opportunity, or they don't want to see the opportunity. I still believe there's a massive opportunity in telcos for someone to go, "Right, we are really gonna crack this." Until somebody does that it's gonna carry on the way it is. But [inaudible] of this emotional signature is defining, what's your profile today against those 20 emotions, defining what the emotions that you want to evoke, and then starting to change the organization and the experience to evoke those emotions. And the result of that is an example like Maersk Line. (32.32)

SS

And that, I imagine, is a long-term play. I mean, to go back to my point about telcos, turning the ship around is a bit of a challenge and so you need to convince senior management, I presume, using some of the left-brain thinking that you're describing, that this is gonna pay off in the end.

CS

Yeah, absolutely, and therefore, typically you do it in stages. And again, Maersk was a classic example where you go, "Look, your marketplace is very commoditized. The cost of shipping cargo around the world is constantly being driven down, more players in the market. How else are you gonna compete? Don't you think you need to look at improving the experience?" "Okay, but we don't wanna commit." "Okay, let's do this form of research before we can therefore put a business case together." When we put a business case together, that seemed logical that we can get that type of return. "Let's do a pilot. Now let's run a pilot in certain parts of the world to see if this plays out. Oh, look, it's playing out. We're starting to get better returns in the pilot regions. Okay, so now let's look at rolling out." But as I said, you're right, it's not instantaneous. There are quick

wins that you can gain instantly, pretty instantly within the first three to six months, but to get the big returns then it takes time.

SS

Yeah, and in the scheme of things, 30 months is really nothing. There's another example which has a Canadian connection obviously is Ricoh here in Canada, and I think today their NPS is at something like 74%. Again, another example, you went in there and they credit you with being the main reason for their success. Was that because the executive management at the time viewed the challenge as a holistic one, that is, it wasn't a patchwork exercise? They really did have to change the culture. They did really have to have a more sweeping view of the issues around the organization and, sort of, raise the boat, if you will, all at the same time. Is that a fair comment about the reason for their success?

CS

Yes. No, absolutely. Yeah. No, absolutely. So the CEO there absolutely embraced all of that. He didn't dictate to his people but he showed the opportunity that was there. We then did some, what we call "getting it" sessions, so in other words, getting people to understand what customer experience is, talking through case studies, showing them what other organizations had done, getting them to think about the type of thing they needed to do to change, run some pilots and improve things. But yeah, I mean, it was a company-wide initiative that none of these...you never get a phone call saying, "Hey, come in. We've decided to run a company-wide initiative to improve the experience," and everybody's gonna start it, and everyone's happy. Life just doesn't work that way. You have to prove that this works and over a period of time people see it work. And you always get the doubters. You always get the people that don't think it's the right thing, and that's fine. Just work with the people that do, and then eventually [inaudible] because they realize the success that you're having.

SS

Yeah, and in the case of Ricoh, too, I think there was a self-realization that they had to fix things in order to change their competitive situation, and I suppose that always helps when executive management sees the light already and really has a desire to make change happen, whereas going the opposite way must be so much tougher.

CS

Well, the other part there is that...think about it. They're in a declining market. Printers, printing is not an up-and-coming

market, so it's, how do you get the most of a declining sale, basically? Now I'm not saying printing will ever go out of fashion entirely but clearly we don't print as much as we used to, so therefore, by definition it becomes even more important for them. (37.06)

SS

Let's talk about customer satisfaction generally. I think I've read where it's the lowest it's been in 15 years, and less than 1/3 of companies in that time have improved their score, effectively plateauing. I think the same is true of NPS scores. Is the reason for that that a lot of the basic fixes have been done? They fixed all the leaky faucets. Or is it that consumer expectations largely due to omnichannel complexity keep rising, that is, it's harder and harder to please customers, particularly because the frontrunners keep raising the bar? Or, and you alluded to this before, is it the reluctance of the financiers in the company to really wanna invest in fixing the toughest problems if the leakage isn't apparent? They'll never buy into putting customers first because they're making too much money, I think, as you said earlier. Why have CSAT scores plateaued, NPS scores plateaued? Why are companies having such difficulty now continuing to make progress?

CS

Yeah, so I guess, first of all, I'd refer you to my previous answer, which is nothing is ever black or white, so probably all those things that you talked about, but let me give you my view. So at the moment, the American Customer Satisfaction Index, which has been going now for, well, since 1998, if my memory serves me correctly. It's at the lowest point for 17 years. For the period of time between 2010 and 2019, only 1/3 of organizations improved their customer experience. Now for me, I am gobsmacked at that. So we are therefore talking about pre-pandemic. We're talking about the height of customer experience being, as a business requirement initiative, wave of change, being at its height, 2010 to 2019, and only 1/3 of organizations have improved their experience. So despite all they've bought, despite all the resources they've put in, despite all the consultants they've employed, only 1/3 of them have improved it. So the question clearly becomes, why? Now for me, the answer to that question, although I go back to it and nothing is ever black and white, but one of the big reasons is people are focused on the wrong things, okay? This goes back to the behavioral science bit.

I've written seven books on customer experience. My second book was about customer centricity, okay, so I always find it a bit odd saying this but here's the issue. You shouldn't necessarily listen to what your customers ask you for. So Disney know, when they ask customers what they want to eat at a theme park, Disney know that people say they'd like to have an option of a salad. Disney also know that people don't eat salads at theme parks, they eat hot dogs and hamburgers. So the irony is that customers don't necessarily tell you. They tell you what they think they want, but it's not necessarily what they really want, or what they all really do.

So again, go back to, we spoke about the iPhone earlier. Who said we wanted an iPhone? Steve Jobs didn't go, "Yeah, well, here's an iPhone. How many people want it?". So I think that part of the issue is that organizations are focusing too much on what customers are telling them that they want, and it's not the real thing that they want. I wish I had a dollar for every time I went into a client and they said, "Our customers only buy on price." We've never, ever found, in the hundreds of pieces of research that we've done for clients, that people make a decision solely based upon price.

In fact, price is typically important but it's never typically the number one thing that's important. It's typically third or fourth on the list of things that are important, and there are things that are far more important than price. And therefore, I think that, going back to why is it only 1/3, I think the other 2/3 have been focused on the wrong things. I think the other thing that's been happening is organizations in that 2/3 that haven't really improved their experience have not really given the people within the organization the latitude to change things enough. Lots of CX professionals, they've given them responsibility without authority, so they've told them that they got a team of five people, whatever it may be, "Go and improve the experience." But when it comes to the tough choices, that marketing are doing this, and sales are doing that, we gotta change that in sales, they ignore them and don't do it.

And I think the third thing is that the reason that we're at 17% now is, or the lowest point for 17 years, shall I say, is that clearly the pandemic has exaggerated the cracks in the organizations. And therefore, people's natural instinct is to focus inwardly on themselves rather than focus outwardly

on the customer. So they've cut back on staff, they've stopped training of people, they just get as many bodies as they can in the customer service center because they've got calls to answer. It doesn't matter if they're the right people or the wrong people, we just need to get people to answer phone calls. They have pushed you to go to the website when you don't wanna go to the website, and the website's not designed to answer the questions, and those are now being exposed in that area. So I think going back to what I said before, it's never one thing and it's different for every company. Some of those things are starting to apply. (43.54)

SS

Well, and generally, you can say that when you experience a best-in-class company, pick Amazon, or any of the frontrunners there and have an experience that hits the mark on just about every level, and then you go back to the telco or whomever you're dealing with and have such a... banks... miserable experience, it's easy to understand the bar keeps increasing. So of course you're gonna be dissatisfied even if that company's made improvements in their call center operation for sure. But let me ask you, though, CSAT has always been, sort of, the go-to statistic until NPS basically displaced it. I think the great obvious...and I interviewed Fred Reichheld, which was a wonderful guy and very interesting fellow, but his big success was making NPS the default metric for customer loyalty, and now it's on the executive dashboard of most companies. That's plateaued as well. Is that for the same reasons? That's the number one question. And two is, do companies need a broader basket of metrics to really get to the heart of improving the customer experience? That is, NPS is great in one respect, certainly [inaudible] are important, but so are other things, like customer effort score. CSAT is, in fact, important, customer commitment to repurchase again. There's a whole bunch of other metrics here that are really key. Is it important for businesses to have that dashboard or basket of metrics to refer to, not just NPS?

CS

Yeah, short answer is yes. The longer answer is, I like Net Promoter and I've known Fred for ages. I like Net Promoter. I think it is a good measure but it is only one measure, and it has been overrated by too many organizations as being answer to the life of the universe and everything, and it's not. One of the key questions that we ask our clients, which is a really, really simple question but most organizations

can't answer it, is, what is the experience that you're trying to deliver? So can you articulate to me what the experience is that we are trying to deliver to your customers? And what you typically find is, people will have an opinion of what it is, but that opinion will be different depending on what part of the organization you're dealing with. So sales will say one thing, marketing will say something else, customer service will say something else. Why am I saying this in the context of NPS? So for me, the key issue becomes, you need to be defining the experience that you're trying to deliver, the strategy, the philosophy, as I've talked about. You need to define that if you deliver that, that it will drive, in other words, you will make money from it. You need to prove it, which is the emotional signature stuff.

And then, once you've done that, guess what? You need to measure it. So to give you an example, and this is all in the public domain so I can tell you this. Maersk Line wanted to, for their experience for their customers, they want their customers to trust them, to feel cared for, and to feel pleased. Very simple, trust, cared for, pleased. So every interaction that a customer has, be it with sales over the phone, be it on the website, be it when the delivery is shipped to them, whatever it may be, if you spoke to that customer at that point they would say, "I trust Maersk Line. I feel Maersk Line care for me. I feel pleased," yeah? So guess what? You measure it. You measure whether customers are feeling those things by asking them those questions, yeah, directly.

You can also ask them proxy questions to determine that. So what do I mean by a proxy question? You can ask things like, "Do you trust Maersk Line, or do you trust an organization?" But a proxy to trust would be, are they reliable? Because reliability is part of trust. Do they do what they say they're gonna do? Because if you don't do what you say you're gonna do people don't trust you. You get the idea. So I think Net Promoter is a measure which is good, and it's simple to understand, and everything else, but there are a number of other measures that should go alongside it as well that are equally as important, and too many organizations just have that and think that once they've implemented that, that's the answer to life, the universe, and everything, and it's not. (49.08)

SS

I think it was Bill Gates who may have said something to the effect that the best way to really understand experiences is to ask the customers who aren't happy with the experience, that is, if you understand what's driving that then you can immediately, sort of, address those issues. Do you agree with that? And I think the other corollary question around that is, what's the ideal feedback loop look like? I mean, there's the measurement piece. Got it, understand that, but there's also the evaluation part.

CS

Yeah, so I think the first thing is that you do need to think about different aspects of that measurement and how you do it. And I think for me, that measurement should be done strategically and it should be done tactically. So let me give an example. We were working with a home improvement organization who they could turn around to you and say, "Our NPS is 27," picking a number, right? "Our NPS is 27." "Okay," so I would say to them, "Well, that's great. So which area of your journey do you need to improve to make it 30?" "Well, I don't know." "Well, okay. So what you should be doing tactically is you should be measuring that at the different parts of your journey."

Because you could say, "Well, it's 27 here. It's 27 there. It's 27 there. It's only two here in this part of my journey, installation, so actually that's the area that I need to focus on." And therefore, looking across the piece and having that feedback loop is important. The other thing that I would say to your Microsoft comment is, and actually with this home improvement company what we did was we did an emotional signature with their customers, but we also did an emotional signature with people that didn't buy from them. And again, all too often organizations are only doing research on their customers. They're not doing research on people who have left them, and they're not doing research on people who have never even been with them. And it's the last two areas that can be the most insightful because clearly you wanna find out why the customer left, and clearly you wanna find out what you can do to get them back. And the other area is, you wanna find out with the customers that have never been your customer, what do they think about you, because they will think something about you. If I'm dealing with an insurance company I know what insurance companies are like, so even if I've

never heard of that insurance company, I know what an auto insurance company would typically do as part of their experience.

SS

Well, I think the other aspect of this, too, is loss rate has variable impact on profitability, so if I lose my best customer it's gonna hurt five times more than an average customer. And obviously, retaining those folks become critical to the organization. The math also is somewhat different. So you see that with some of the telcos here now spending an inordinate amount of time trying what they call "preferred customer programs," making sure that the customers who have full bundles as an example are getting over serviced as opposed to under serviced. There's that strategic mindset as well in terms of who you're gonna focus on, if you're gonna focus on anybody, right?

CS

Yeah, most organization segmentation is so poor, it's unbelievable. Most organization segmentation is, "I've got big customers, I've got small customers, and I've got medium-sized customers," or "I've got customers that buy this product or that product." For us, some form of behavioral segmentation is key. It's not segmentation by age. It's not segmentation by product. It's segmentation about by what I do, and that could be a mixture of millennials and baby boomers. I'm learning to play the guitar, okay? I'm certainly not a millennial but my behavior is probably, in the case of buying a guitar, other than probably the sheet music I buy, along those lines. (54.06)

SS

Yeah, absolutely. In the time that we have remaining, Colin, there's a couple of key areas I just wanna cover, make sure I don't miss out here, and one of them, I think, is vital, which is, who owns the customer experience? You're a big proponent, I think, of this idea of customer experience councils. Maybe you could elaborate on that a little bit, but also, is it key to have a chief experience officer oversee it? Where does marketing fit into the picture? Ownership here seems to be critical with a direct line to the C-suite. What's the best structure for organizations to consider?

CS

So I think that, again, there's a difference between the theory and the practice here, okay? So if you said to me, "Colin, tell me the best theory that an organization would have," I would say, "There should be a chief customer officer who reports to the CEO who has got authority and responsibility for the total customer experience. And they

need to work with their colleagues that run each of those areas to improve the experience. But when push comes to shove, then they make the decision about what's good for the customer," okay? In practice, what we discover is that very few organizations do that.

So I come from a discipline which would say, "What's the role of marketing?" Well, marketing is there, in my book, to be able to say, which markets should we be in, and what is our offering, and what is our proposition in that market? And how are we gonna go to market? Do we need to employ a salesforce? Do we just need to sell digitally? What do we do? And those, for me, are a marketing choice, okay, again, in a classical sense. If you, again, you said to me, "Colin, we're not gonna have a chief experience officer. Which area would you put it in?" I'd probably say, "Stick it in marketing," okay?

But the reality is what I would say is, "Let me get to understand your organization in a bit more detail," because I've worked in organizations where marketing are effectively...they create brochures. They are functions of sales teams rather than anything else, particularly in the B2B space. What I would therefore say from a more pragmatic perspective is, "Is there someone or some part of the organization that is respected that someone or some part of the organization that you think people respect enough to go, "Yeah, this person is not gonna just be on marketing side, or sales side, or customer service side." They're respected enough to go, 'Yeah, we think that they're a good person. They understand what we're trying to do. They're willing to make judgments, and compromises,' etc., etc., "And therefore, I'd give it to them." And that's the more pragmatic, political approach, rather than just go, "Here's the stamp. This is what you need to do." And again, in most organizations it's that third part that typically gets implemented, particularly at the beginning.

SS

So customer experience change management is transformation management and it's tough for a whole bunch of reasons, but one of the main ones is this internal resistance of, well, that's not how we do things. What's the best way then for whatever organizational structures put in place to overcome that resistance? Do you go down the path of incentives? Is this why it's really critical that the CCO is reporting up to the CEO and not the COO to have

the authority and sway to be able to overcome those forces of resistance? What's the best way to grease the wheels, if you will, of transformation change?

CS

So I think it's still that, you know, that the [inaudible] for me, and I know I'm gonna get this wrong, but first of all, you need to create a sense of urgency. Why do this? We go back to the conversation about the telcos. They clearly don't believe that they need to do it, otherwise they would be doing it, yeah? So you need to create a sense of urgency. I think the other thing then that I would say is that you've gotta tell people what a customer experience is about. Because, again, hopefully you read in the book, and listen to the podcast, and all the rest of it, you've started to get a sense of what we would mean by customer experience and all that type of stuff. So you've gotta treat people as adults and get them to understand what it's about.

You've then got to get them to understand the direction that you're going in, so again, go back to that question, what's the experience we're trying to do? You then have got to turn around and say, "And the implications for you are you need to do this. You in the call center answering the phone, you in the digital marketing team need to now do this, and this is how we're gonna measure you, and this is how we're gonna reward you. And we've given you the training, and we've given you the background, and we've given you the reasons why we're doing it, and we've given you the strategy, but this is what we're trying to do and this is the results we're trying to get to." And then you've gotta manage people in the same way.

I have to say, I'm a little different to Fred in that I believe in the stick and the carrot. I believe that you need to have a stick, which is if you don't achieve your measures you're not gonna have a job, basically, yeah? I'm being extreme, but if you don't achieve your measures after us coaching you and doing all the right things from a management perspective, then maybe you're not the right person for this role. And the carrot is, and here's an incentive, if you achieve your target, here's an incentive for you. Here's a bonus for you to help us achieve those targets. So I think once you get down to that it's classic management stuff of stick and carrot. (1.01.09)

SS

Right. But also, importantly, I imagine the C-suite can't be sending the wrong signals either. So to your point that you

made, I think, earlier in this interview, you have companies, especially through the pandemic, cutting back staff, budgets, etc., sending the signal that profits over purpose, profits over customer happiness. So it's really important to have the C-suite understand that it's critical for them to be sending the right signals, I would imagine.

CS

Yeah, it is. You're making me think about a conversation that I had with Glenn Laverty, who's the CEO at Ricoh... was the CEO at Ricoh. And I asked him one day, I said, "Glenn, if you had your time over again," and bear in mind that the stats are, for Ricoh, they improved their Net Promoter Score by 34 points over a 30-month period that led to a 10% rise in a shrinking printer market, I said, "Glenn, if you had your time over again, what would you do differently?" And he said, "One of the key things I'd do differently is I would've got measures across the organization, customer experience measures across the organization sooner than I did," yeah?

Because he found that when he did that the signal was he was really serious. It wasn't, "Oh, could you do this," and "We think this is the right thing and we're trying to head in this direction," and everything else. It was, "No, this is now part of your job and you're gonna get paid on this. And just in the usual management way, if you're not doing your job properly and your measures aren't up to things, then maybe you should be looking elsewhere," you know? So that measurement is critical, the strategy is critical, and all of those things become critical classically to drive change.

SS

You, I think, take clients or prospective clients on study tours, I think you phrase it, of best-in-class companies. You reference the Mandarin Hotel in your book as being one of those. Just in conclusion, these companies are getting the customer experience right, obviously. What do they have in common? I realize they're all probably in different industries. Hospitality is gonna be different from telco, but what is it that they have in common that's led to their success?

CS

They have in common that they believe in, at a senior level across the senior team, they believe that improving the customer experience will drive more money for them, more profit for them. And they know that some of those things are intangible, okay? They implement against that, it's as simple as that, yeah? And I think the biggest thing I've learned in 20 years has been it's about the mindset. Match

me the mindset of the Mandarin against the mindset of any given cable company, yeah? And it's the mindset of the senior team that permeates down the organization, and if the mindset of the senior team is profitability, process, transactional view of life, then, guess what? The customer experience ends up being about cost cutting, profits, processes, and very tactically driven, so it's the mindset.

SS

So the mindset of putting customers first drives business value would be a way of summarizing then?

CS

So yes, but the only caveat I would put on it is, because this is where people do make a mistake, putting customers first does not mean that you should give customers everything that they want. You are in business to make money, okay? All of those organizations, if I went into the Mandarin Oriental Hotel and said, "Can I stay here free of charge for the night," they're gonna say no. It may be what I want but they're gonna tell me no, you know? Improving the experience does not mean giving customers everything they want. There are some things that you can't do because it doesn't make logical business sense. But when that happens you've hopefully built up enough of a reputation, enough in the emotional bank account with them that they realize.

So I love Apple, okay? I'll buy everything Apple. Do Apple do things to annoy me occasionally? Yeah, they do. I think Siri is not very good, but overall I'm a big fan of Apple, okay? But the point is, is the mindset of the organization is the key.

SS

Sure. Well, I think Apple gives you what you want. They don't just listen to what you think you want, I think, is a key part of your whole book.

CS

Yeah, absolutely.

SS

So getting close to customers is key because otherwise, how do you know ultimately? How do you build up an innate feel for what your customers actually want versus what they say they want?

CS

Yeah, and that's where you've gotta look into it in more detail.

SS

And I think that's really behind the spirit of the concept of customer-first thinking is that idea of customer intimacy and understanding the inner person of a customer as opposed to the outer person. Again, your book is all about that and it's a terrific read.

CS

Good. Well, I hope you like it and listen to the podcast as well, "The Intuitive Customer," and you'll hear us talk about it further.

SS

Fantastic, Colin. You're a true pioneer in this business so it's been an absolute privilege to have so much time with you today, so I wanna thank you very, very much for this.

CS

Okay, thanks a lot. Nice to [inaudible] to be speaking with you, Stephen.

That concludes my interview with Colin Shaw. As we learned, businesses can only take their customer experience to the next level if they look at it from the customer perspective: how they feel about it, what pleases them, what causes the most grief. How the customer remembers the experience is all that matters. And that means creating unforgettable memories. The reason that CX satisfaction has leveled off is that customers expect so much more than before. Offering a "good enough" experience is a sure-fire way to lose customers. So businesses have to be more imaginative in their approach to experience design. They have to be more courageous. More deliberate. And yes, more intuitive.

You can find past episodes of this podcast on CustomerFirstThinking.ca where you'll also find articles, strategic frameworks, video and more on the transformation of marketing.

In closing, a big shout-out to my friends and colleagues Justin Ecock and Shak Rana for their contribution to making this podcast happen. Until next time, thanks for listening.



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