

Customer first thinking.



Fixing CX:

An Interview with Michael Lowenstein, Founding Principal, The Linkage Group

Michael Lowenstein:

Michael Lowenstein is a renowned expert on CX and an early pioneer in the development of customer relationship management theory and practice.



CX is broken. It has been for years now.

The numbers tell the story. The American Customer Satisfaction Index is stagnant, barely above where it was in 1994 (77 vs 75). Consumer perception of CX quality has declined for a fourth consecutive year, according to Forrester's annual benchmark index, and is now at an all-time low. And again according to Forrester, NPS scores have steeply declined across most industries over the past couple of years.

Behind this grim set of facts is a sobering truth: customers are simply fed up with being taken for granted. Consideration of their needs always seems to end at check-out. They feel like a data point on a spreadsheet. So they have become increasingly agitated and resentful at the unfairness of it all – and more distrustful than ever of the bloated claims that companies make, comparing it to their lived experience.

After three decades of growing interest by companies in CX – from its emergence in the mid-1990s as a credible discipline to the widescale adoption of NPS in the mid-2000s to the obsession of the past decade with orchestration of the customer journey – how is it that so little progress has been made in improving the customer experience?

Companies have got a lot better at selling stuff – but a lot worse at making customers feel good about the total experience. And now, customer attitudes are hardening. They are putting price and value ahead of brand loyalty, having grown cynical of what companies say. No wonder brand loyalty is in decline. Why pay extra for a premium brand if it's unworthy of their trust?

For answers as to why the trust gap has grown, you only need to look at how public companies function today. For the most part they are run by corporate leaders whose idea of success is a glowing quarterly earnings report (because their compensation is tied to it). NPS may be on the executive dashboard but it's subordinate to market share and growth rate. And due to the financialization of business decision making, cost reduction always takes priority over creating happier customers. And while the C-suite and even the Board may acknowledge the importance of customer loyalty to future cash flow, they treat CX as a departmental function and not an operating philosophy (resulting in what's been called “ornamental CX” or “CX Theatre”).

The job of achieving better CX is often handed over to a centralized CX team. And of course the trouble with that model is they become just another functional silo without the authority to act

as change agents. Their role is limited to creating journey maps and measuring satisfaction and loyalty without a top-down mandate to meaningfully transform how the company does business.

Perhaps the greatest impediment to CX quality is the attitude of frontline employees responsible for customer satisfaction. Companies don't treat employees with any more respect than they do customers. So why should employees care how customers feel?

There is a host of other barriers to improving CX – short-termism, lack of organizational consensus and alignment, the use of automation technology as a crutch, senior leadership ambivalence, competing priorities, a diffusion of accountability, the list goes on. The biggest problem, however, is simply an underappreciation for the importance of winning customer trust, according to CX expert Michael Lowenstein.

Michael has been appealing to the better angels of companies ever since the release of his first book “Customer Retention: An Integrated Process for Keeping Your Best Customers” in 1995. Since then he's published six other books – along with hundreds of articles, white papers and blogs – and is deservedly considered amongst the most respected CX experts in the world. He has long been a proponent of linking employee and customer experience, and was an early advocate of treating CX as a cohesive business system that can only succeed through enterprise level governance and the full endorsement and commitment of leadership.

SS

Stephen Shaw (SS): Why is it that CX quality is not that much better than when you wrote your first book 30 years ago?

ML

Michael Lowenstein (ML): A lot of it boils down to the sustained provable impact on business outcomes. Because if you can't demonstrate that on a consistent basis, then really what you have is largely cosmetic, and it's open to retrenchment, even elimination.

Part of my background is in total quality. And so one of the icons of course is W. Edwards Deming¹. He posited that within an organization every employee has one of two jobs: You either support the customer or you support somebody who does. There are no other jobs. And that's a quote that's stuck with me. Because if you look at the companies that do CX well, they have a stakeholder centric culture that serves as a foundation and a jumping off point. They have the business outcomes that you want to see and it's sustained.

One of the companies that I worked with quite some time ago now is Baptist Healthcare in Pensacola, Florida. They went through a two year odyssey to become more stakeholder centric. It took them quite a while. When I worked with them, they won the Malcolm Baldrige Award². You can look at Wegmans, you can look at Trader Joe's, around here where I live outside Philadelphia you can look at Wawa. Look at Subaru in Camden, New Jersey. Strong corporate-wide connection of employees and customers. They all do it very well.

SS

Many companies call themselves customer centric when really they're not. Is it just CX theatre for most companies as opposed to a philosophy of doing business?

ML

One of the things I do is I'll run a parallel study: What do the employees think that customers think they're getting? What you often find are discrepancies in perception between employees and customers. If the differences are causing challenges for the organization, do we have to retrain? Do we have to offer incentives? In an organization that's really stakeholder centric, employees absolutely want skin in the game. In the first year, Costco will lose like 10 to 15% of its employees. Beyond year one, it's under 10%. Compare that with Walmart, where their employee turnover is well in excess of 50 - 60%, even sometimes hitting 70%. Walmart is focused on AI and digital approaches to create value for customers. And to see that play out, honestly, all you need to do is walk into your neighbourhood Walmart.

SS

I suppose it's a choice between offering the lowest price and being nice.

ML

Yeah, look at Jamesway [Department Stores], look at Kmart, look at Sears. Those are companies that ultimately couldn't make lowest price work anymore. Walmart, simply because of scale, has made it work. Wegmans' mantra, on the other hand, is employees first, customers second. Look at Richard Branson and the 400 companies that are part of his Virgin portfolio. Look at Delta. Very stakeholder centric, people focused. Herb Kelleher at Southwest Airlines embedded it in the culture. These are companies that are stakeholder centric.

This is why I have always been focused on advocacy. You go from satisfaction to retention to commitment, and ultimately to advocacy, whether you're a customer or

employee. The higher percentage of your customer base that you can get to be advocates - I used to call them ambassadors – the better off you are. The same is true of employees. You're going to protect the organization long term.

SS

I guess if companies don't really care how their employees feel, why should they expect their employees to care how customers feel?

ML

You bet. Simple, right?

SS

Explain the difference between customer centricity and stakeholder centricity.

ML

Let's take Jeff Bezos and others like him who claim to be relentlessly customer centric. Look at Amazon's employee culture, look at the level of turnover, look at the level of negativity that exists within the organization. There's an imbalance there. When you look at Whole Foods, or Wegmans, or Costco, or Baptist Health Care, there's a balance.

There's a company outside of Philadelphia, goes back years, called Rosenbluth International, which ultimately got bought out and morphed into American Express Travel Services. Hal Rosenbluth³, who I've known for quite a while, wrote a book called "The Customer Comes Second". And he said, you got to be able to set the table so that employees execute because it's in their best interest as well as the organization's best interest as well as the customer's best interest.

So the companies that get it, get it. Some just talk about it. You know, Starbucks talks about it. They want to be seen as being nice. They want to be seen as being altruistic. Yeah well, there are cracks in all of that. The companies that are able to really strategically execute this and live it as part of the DNA of the organization are the ones that stand out.

I go back to MBNA America. When I worked with them, they were the second largest credit card issuer behind Citibank. Charles Cawley was co-founder of the company. "Think of yourself as the customer" was the mantra written on the walls, woven into the rugs, embossed on your desk, embossed on your cheque, posted on TV screens all over the company.

For five hours every month the Vice Presidents of the company were expected to be on the phone with customers who were calling in with issues, complaints, looking to increase their credit level. Five hours a month! Why? Because they did not want employees to lose touch ever with customers and customer value. That always inspired me and yet very few companies do it. But again, the ones who do it and do it well, sustainably, are the ones who have tremendous cultures, empathetic cultures, people-centric cultures, and great business outcomes.

SS

For employees to be advocates for their company, I would think their motivation has to be rooted in something more than just simply "think like customers" - it has to be rooted in a belief system that the company they're working for is actually doing good. Is that not an integral part of the equation?

ML

No question about it. The leadership in the organization has to create trust. They have to not just say they care, but actually care. I work with companies that say they have a family oriented culture. Oh really? And so when it comes to women who need additional time off or some flexibility, what are you doing? Ah, nothing. We treat everybody the same. Oh really? Do you? You don't want to have a situation where you've got high turnover because it undermines trust, it undermines the connection with customers. You and I are old enough to remember reengineering. And reengineering was a metaphor for RIFs, reductions in force, downsizing. How can we lop off the numbers of employees?

SS

You make the case that CX has never been more thoroughly measured than today. We've got NPS, we've got CSAT, we've got loyalty scores, we've got customer effort scores, we've got journey analytics scores. You've got all these scores, but it's not translating into a better experience for customers. Is this an execution gap?

ML

It's a great and complex question. To your point, one of the challenges is that in most CX there's a level of benign acceptance or passivity with regard to the metrics in the dashboards that are used. If you walk into a leadership presentation and you can't connect the dots, you'll potentially get your program slashed or eliminated. That's not what you want. Look, I've been a 20 plus year

skeptic for things like customer effort score, net promoter, certainly customer SAT, why? Because NPS scores go up, sales go down. NPS scores go down, sales go up. If I'm in a CX role, what do I say to the leadership of the company? How do I justify that?

Going back to 2005, 2004, several colleagues and I created an advocacy model because we were looking at high positive to high negative behaviour and understanding what's driving that. So we got off the dashboard merry go round and created a sustainable framework that worked irrespective of the B2B vertical or the B2C vertical where we applied it. We knew exactly what was going on and where to focus our recommendations. So I go back to what I said, if you don't have that and you can't demonstrate it, then customer experience is a cosmetic exercise.

SS

Isn't the challenge today the fact that most organizations are fixated on short term measures as opposed to caring about the long term?

ML

You touched on a key point. The challenge that you have now, more than I think at any time in the past, is the level of tactical execution and tactical thinking that a lot of corporate leaders have.

Look at Trader Joe's - their customers love it, it's a lifestyle. Around where I live in the mid-Atlantic, it's Wawa. Wawa isn't just a convenience store, it's a lifestyle. Wegmans is kind of a lifestyle. I love going into Wegmans. One of the people that I read regularly is David Meerman Scott⁴ who calls this "Fanocracy".

Employee loyalty is about commitment to the company. Do I have commitment to the value proposition? Do I exist in a situation where I don't have operational and data silos? Is there teamwork? Is there cooperation on behalf of delivering value? You can see that in the companies I've named. I mentioned Baptist Healthcare having gone through a two year odyssey. I mean it was a metamorphosis, it was very, very difficult. They used to operate very much like any other health care organization: It wasn't patient centric, not staff centric, not family centric. That isn't the way Baptist operates today. For me as a consultant and researcher going back a couple of decades, it was an absolute lesson to go through that and just be a part of it, and absorb it, and observe what was happening as it was happening.

SS

We have more information than ever about customers: We have journey analytics, we have wall size journey maps, we've got sentiment analysis, we've got all kinds of VOC reports, we've got more engagement data than we know what to do with, yet it strikes me that with all of that information, companies are still struggling to convert it into customer strategy. Why is that?

ML

As David Ogilvy once said, consumers do not say what they think, or think how they feel, or do what they say. You have to find ways to really get to the Ishikawa 5 Why⁵. What is really going on here? What is it that customers really want? And you have to have tools, research tools, metrics, that lay that pathway for you.

One of the areas that I've looked at for years is unexpressed complaints. I think we're both familiar with Janelle Barlow⁶, "A Complaint Is A Gift". What is it that customers are not telling you until you proactively ask? You can look at the impact of unearthed complaints that are often more serious than the complaints that customers are willing to tell you about. I always called it an iceberg because you can only see the top layer. You're not seeing what's below the surface. What you're trying to get at is a full inventory of complaints.

Again, it's part of 5 Why. What's really going on? What's really bothering you that you haven't told me about? So let's take a supplier to a chain of fast food restaurants and let's say late deliveries to those fast food restaurants are under 5%. The supplier thinks, hey that's great, we're 95% or better. Customers ought to be happy. No, they're not. And who do they hold it against? They hold it against that supplier who can't be 99% or 100%. And have they told the company? Very rarely because the company doesn't have the mechanisms to get at this.

SS

Your argument has always been that CX governance has to lie at the enterprise level. What does that look like in terms of organizational design? And what's the path to get there? Because we're talking about fairly significant change. What's your roadmap?

ML

Where I've seen CX work most effectively is where it rises to a more senior company level - it's not just a group or a department that gets relegated to the sidelines, but it's integral to making things work across the organization.

For example, at a major bank in Australia a single individual is the head of HR and customer experience combined. There's a method to that madness because she's able to create a team that is corporate wide.

The company needs an ethos to make it work. What it does then is elevate CX to a high enough level that it can impact strategic change. What is it that's going to make a company unique? What is it that's going to make a company part of our lives? It's going to require effort, it's going to require investment. It's going to require potential modification in how you integrate employee experience with customer experience.

SS Jagdeeth Sheth⁷ calls that ethos “share of heart”.

ML Yes, you have to bake it into the DNA.

SS You have to show empathy. Absolutely. Humanity. I'd like to suggest a third one, trust. Because if you're showing empathy, if you humanize the organization, if you actually care about people first and customers first, then trust becomes the best measure. People will trust you to do what's right.

ML It's critical. If you don't have it, all you have to do is look at Wells Fargo. Has Wells Fargo recovered? Today, trust is critical. Trust is the fulcrum. It's almost even more than that. It's probably a cornerstone. And it's everything that goes along with trust: transparency, honesty, right? Consistency. It's all those things that you hope for and expect from a reliable partner.

When Jill [Griffin] and I wrote our book⁸ 20 years ago, honestly, the entire focus of the book was about trust. If I no longer feel like you care about me, I'll go find some other vendor who cares about me a little bit more.

SS So earning trust should be the mantra of CX leaders going forward.

ML Earning trust and sustaining it.

- ¹ W. Edwards Deming was renowned as the “father of the quality movement” and for teaching statistical process control (SPC) to the Japanese.
- ² The Malcolm Baldrige National Quality Award is awarded annually to organizations that are exemplars of superior quality.
- ³ Hal Rosenbluth served as President of the travel management company Rosenbluth International, later sold to American Express. His book “The Customer Comes Second: Put Your People First and Watch ‘em Kick Butt” argues that a company's primary focus should be on its employees rather than its customers.
- ⁴ David Meerman Scott wrote the best-selling book “The New Rules of Marketing & PR”, as well as “Real-Time Marketing & PR”, “Fanocracy”, and “Marketing Lessons from The Grateful Dead”.
- ⁵ The Ishikawa 5 Why method is a root cause analysis technique used to identify the underlying reasons for a problem rather than just treating its symptoms.
- ⁶ Janelle Barlow is the author of the best-selling business book “A Complaint is a Gift” and a renowned customer service expert.
- ⁷ Along with co-authors Sisodia and Wolfe, Sheth popularized the term “share of heart” in “Firms of Endearment”, suggesting that companies connecting deeply with stakeholders (employees, customers, suppliers) perform better financially and morally.
- ⁸ “Customer Winback: How to Recapture Lost Customers--And Keep Them Loyal”, 2001



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