

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.

I started by asking Michael how much further ahead CX is than when he wrote his first book 30 years ago.

ML **Michael Lowenstein (ML):** Well, you know, there's been a lot of critique, I think we could both agree with regard to the effectiveness of CX and a lot of it honestly, Stephen, boils down to what's the impact, the sustained strategic provable impact on business outcomes. Because if you can't demonstrate that on a consistent basis, then really what you have is cosmetic, and largely cosmetic, and it's open to retrenchment, even elimination. So what's been learned?

Well, this is, your question goes kind of to the heart of the way, at least my thinking, my perspectives have evolved. You talked about two of the early books, but then I started to get more into customer win-back what's going on in the customer life cycle that I co-wrote with my colleague Jill Griffin¹. And we were looking at the back end of the life cycle and what was causing risk and what was causing churn and potential recovery of profitable customers. You know, then I started looking at customer data, you know, when Big Data was a big deal. I then evolved into uh, looking at advocacy. What is it that creates advocacy on

the positive side? And on the negative side, what some have called “bad-vocacy”.

You know, where's the negativism come in? How sustained is it, how strategic is it. From a positive side, what can companies do to really build this kind of ongoing customer commitment? It's further evolved into looking at employee experience and how that integrates, connects and synergizes really with customer experience on an enterprise wide basis. In most companies, where I see it happening is kind of at the front line and front line only. Well, it's not just the contact center, it's across the board. Part of my background is in total quality. And so one of my, one of the icons of course is, W. Edwards Deming². And Deming was also a marketing expert, amongst other things. I mean not, not as well known in this, but 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 I've seen from him multiple times. It's stuck with me, you know, as you said, for multiple decades. And for good reason, because if you look at the companies that do it and do it well, they have the 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, it's strategic.

So, you know, I'll look at statements by CEOs like Richard Branson for all of the Virgin companies. And he's made the connection if I look at one of his companies, you know, in Virgin Air. I can also look at Herb Kelleher at Southwest Airlines. He posited the same kinds of things. That's kind of the way that Southwest was built. Now look at other organizations. 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. They had never been on the Fortune magazine 100 Best Companies to Work for in America.

When I worked with them, the first hit they got was number 11 out of 100. They won the Malcolm Baldrige Award³. I mean they achieved great things and are still achieving great things on a highly competitive industry. And they're training other healthcare organizations. You can look at Wegmans, you can look at Trader Joe's.

Around where I live outside Philadelphia, we can look at Wawa. I can look at Subaru in Camden, New Jersey. They all do it very well. Strong corporate--wide connection of employees and customers. Everybody benefits. Obviously the state, the shareholders do as well.

And for me, kind of seminal, seminal looks at this, are books like "Firms of Endearment", Jagdish Sheth, Wolf, and Raj Sisodia. "Conscious Capitalism"⁴, which is not only a book, it's a movement as well. They get it right. These companies do well. They sustain the employee base. They get commitment from employees. They get in, get. You know, it's beyond engagement. Engagement for me is kind of passive and the Conference Board looked at it in depth about 20 years ago and it's kind of ill defined. So I never know if it's really rational or emotional or just what it is. Sometimes it's a little bit like, 10 blind men and the elephant. But they're looking at commitment to the customer by employees, commitment to the organization and its value proposition, its commitment to other employees. It works at these organizations.

And so, if I look at kind of my evolution and kind of the, one of the reasons that I formed The Linkage Group is that we're looking at what binds employees to one another, to the customer, to the value proposition of the organization and to an empathetic people centric, stakeholder centric culture. That's kind of where it ends up. And in all the work that I've done, particularly in recent years, I've been able to prove this out over and over and over again.

You're talking about Colin. One of the things that I was able to do with Colin when I was with Beyond Philosophy, is apply his concepts for customers to employees with really, again, real world actionable results. Maybe a quick example. If you look at most employee studies, you know, it's about satisfaction, it's about work life, it's about balance and all that sort of thing. Not, it's not unimportant, however, where's the focus on delivering and creating customer value?

So a lot of the content of studies that I do with employees are built around what's happening in the organization where you're getting the training, the enablement, the empowerment to deliver these kinds of things wherever you are in the organization. Don't care if you're an accountant, I don't care if you're a janitor, it doesn't

matter. Are you participating actively as a part of your job description to create value? Simple. Well, I'm giving you more information than you need. [12.15]

SS

Stephen Shaw (SS): You've led me down a few paths which I, I plan to explore and I want to go deeper on it. You mentioned Trader Joe's as an example and I do want to come back to that for sure, as just an illustration of the possible, the doable. But I want to just take a step back because three decades have passed. As I mentioned earlier, CX is an accepted discipline now, but the trouble is it doesn't seem to have advanced very far past the theory and seems to have stagnated. So, and the evidence is clear, like, Customer SAT scores have totally plateaued. Forrester CX indices have barely budged in recent years. In fact, NPS is declining, which is bizarre considering it's the number one beacon metric for most companies. The Customer Rage Survey - recent results suggest that the worst, the lowest ever and people are just pissed off to put it bluntly.

So all of these measures of success are going in the reverse direction, despite companies embracing the concept of CX, but really struggling with the practice of it. Calling themselves customer centric when they're really not. And it's an empty claim. So, is it for most companies, really remain, does it still remain CX - I think you use the term CX theater - as opposed to embracing it as a philosophy of doing business?

ML

Yeah it's a great, it's a great complex question. If you're keeping the, your eye on the ball, the ball has to be business outcomes. And you know, just looking at the elements of dashboard, most companies kind of are like deer in the headlights when their key metrics, their KPIs go sideways or go down. They don't know what it means. They can't figure it out. They can't connect the dots. And a lot of the dots have to do with, what are employees developing to create brand equity, to create value for the customers, that again, can be provable over time?

One of the things that I do, for example, is I will run a parallel study if I can, and I've done this many, many times. A few companies do not very many - and I call it mirroring. What do the employees think that customers think they're getting? It becomes part of, voice of employee, and a unique voice of employee. What's

missing, particularly if it's an area that you find where there are discrepancies in perception between employees and customers, and those discrepancies are areas of friction or problem, now you got something that you can address.

It's not just that there are differences. The differences are one thing. If the differences are in areas, again, that are causing challenges for the organization in terms of value delivery, now you have something to build on because now you can bring employees into the process. Do we have to retrain? Do we have to offer incentives? Do we have to get more enablement, more empowerment? Whatever it is, having these kinds of insights can help you develop these programs pretty straight up.

If you don't do it, you don't know. Employees want skin in the game. I think consistently they do. In an organization that's really stakeholder centric and stakeholder focused, employees, absolutely, want skin in the game. You know, we've both been talking about Trader Joe's and you know, companies like Wegmans and Costco is one of my favourites. For me, when I look at Costco, just look at some of their employee numbers. In the first year, Costco will lose like 10 to 15% of its employees. Beyond year one, it's like well under 10%. Compare that, if you will, with Walmart, where their employee turnover is well in excess of 50- 60%, even sometimes hitting 70%. Walmart is focused on AI totally, 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, and, you know, just let it soak in and experience it. [16.45]

SS

It seems to me a difference between lowest price and being nice.

ML

Well, it's, yeah, I totally agree with that. But it's also corporate philosophy. I mean, you know, if it springs from lowest price and offering an array of products, you know, you can look at Jamesway [Department Stores], you can look at Kmart, you can look at Sears. These are companies that have kind of morphed into in negative ways, become one-trick ponies, and ultimately they can't make it anymore. Walgreens will not, or, you know, Walmart will not have that because simply because of the scale, they can make it work. To your point. Excellent point, on price

and variety, right? But, you know, is it a culture you really want to depend upon to build customer value?

Everything that I read about Walmart, some of it, you know, I don't want to get into the weeds on this, but you look at the companies that have scaled back on their DEI programs dramatically, and Walmart is right in there. That hasn't happened at Costco. That hasn't happened at Wegmans. Wegmans' mantra is employees first, customer second. They make it work. So again, you can look at companies like these. Again, I always start with Richard Branson and the 400 companies that are part of his Virgin portfolio. You know, as a starting point, you can look at Delta. Delta does the same kind of thing. It's very stakeholder centric, people focused. They have made it work. Sometimes this comes from leadership. Sometimes, as you know, it started with the leaders in Southwest Airlines. Herb Kelleher embedded it in the culture, it sustains. But, you know, these companies, it's very holistic. It's a circular pattern. These companies make it work. And you know, I, this podcast is around customer centricity. That's kind of my starting point. You can go too far with customer centricity. The companies that I focus on, paradigm companies in the United States and overseas, these are companies that are stakeholder centric.

There's a, I think there's an argument, strong argument and a case to be made for stakeholder centricity as more sustainable over time and to a degree, yeah, it goes, it goes to the metrics. This is kind of why I focused on advocacy, because it's a build. You can go from satisfaction to, you know, to retention, to commitment, and ultimately to advocacy, whether you're a customer, or employee. If you can do that, the higher the percentage of your customer base that you can get to be advocates, the higher the percentage of employees that you can get to be advocates - I used to call them ambassadors - it kind of translates to the same thing - the better off you are, you're going to, you're going to protect the organization long term. [19.44]

SS

Well, and I think the gist of this, and correct me if I'm wrong here, is that 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

Yeah, well, it is simple, but companies aren't, uh, there. That's the financialization of business, right? They're not driven by that as their key metric anymore. It's driven by shareholder value. This is why I wanted to ask you to make this distinction. So there's customer centricity, and you call it stakeholder centricity. Explain the differences to me.

ML

If you look at, you know, let's take Amazon for an example, and Jeff Bezos, and others kind of like him, you know, who claim to be relentlessly customer centric. Look at the employee culture, look at the level of turnover, look at the level of negativity that exists within the organization. It bubbles up from time to time. So I take him at his word. But, you know, there's an imbalance here, Stephen. You know, when you look at Whole Foods, or Wegmans, or Costco, or Baptist Health Care, there's a balance.

I mean, in Wegmans' case, it's an imbalance where they have always put employees first on the theory, and this goes back - there was, there's a company outside of Philadelphia, goes back years, called Rosenbluth International, which ultimately got bought out and morphed into the American Express Travel Services. Hal Rosenbluth⁵, who I've known for quite a while, co-wrote a book starting, I think, in the late 90s, and then he wrote a sequel called "The Customer Comes Second". And he's saying, look, we're not saying that your employees are going to, you know, do that just because you want it as an organization. You got to be able to set the table so that they execute because it's in their best interest as well as the organization's best interest as well as the customer's best interest. And frankly, if you're a publicly held company, it helps your share situation, right?

And so, you know, that's kind of the paraphrase of what Richard Branson himself has said. Simple as that. Herb Kelleher has said the same kind of thing. So the companies that get it, get it. Some just talk about it. You know, Starbucks talks about it. It's kind of, I don't know, kind of quasi or semi aspirational for a company like Starbucks. You know, they want to be seen as being nice, they want to be seen as being kind of 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 who stand out.

So, you know, I go back to a company that was based in Wilmington, Delaware, MBNA America. MBNA America. Go back, you know, you know who they are.

SS

I worked with them at one point.

ML

Well, there you go. So, you know, at the, at the time that I worked with them, they were the second largest credit card issuer behind Citibank anywhere in the country. They still exist in Canada, they still exist in the UK. But their mantra, Charles Cawley was co-founder of the company. You know, he said, just like Herb Kelleher, just like Richard Branson and the other CEOs, you know, who are kind of on this, I don't know, more progressive, if not enlightened path. He said, you know, it's all about the customer. The mantra that within that organization, which at the time, this is, this is before you got computer heavy - 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, you know, and they had their, they had their metrics posted on TV screens all over the company.

I used to take clients in there and you could go into a room, a very large room that was populated by vice presidents of the company, who for like five hours every month, how to be on the phone, because this is, you know, well, before they had computers to look at their data, but not so much to communicate with the customers. They had to be on the phone with customers, calling in with issues, complaints, looking to increase their credit level. Five hours a month, why? Because within the organization's core, they did not want employees to lose touch ever with customers and customer value. That always inspired me and I've seen that kind of thing play out. 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. So, you know, that's my soapbox. That's my soapbox. [25.09]

SS

Well, and I couldn't agree more. I want to ask you though, about the passion required of employees to be advocates for their company has to be rooted in something and more than just simply a mantra of, think like customers ...

ML

Sure.

SS

...it has to be rooted in a belief system that the company they're working for is actually doing good. So this is where purpose rolls into employees. It strikes me we need a rallying cry to get up in the morning, go to work and do their best on behalf of customers because actually believe the company is improving the lives of those customers. Is that not an integral part of the equation?

ML

No question about it. And frankly, it's embedded in the employee experience. This is why for me, the three pillars have to do with commitment. You know, what is it that you're giving? You know, it's, you know, in the old, the old WIF, you know, what's in it for me? WIIFM, what's in it for me? The employee experience has to embody that, which means that the leadership in the organization has to create trust. They have to really not just say they care, but actually care. I work with companies that say they have, well, we have kind of a family oriented culture. Oh really? Oh really? And so when it comes to women who need additional time off or some flexibility or, what are you doing? Ah nothing. We treat everybody the same. Oh really? Do you? Again, more progressive organizations have understood the critical linkage and value of employees to creating customer value.

You don't want to have a situation where you've got high turnover because it undermines trust, it undermines the connection with customers, and it kind of feeds on itself. You and I are old enough to remember reengineering. And reengineering a couple of decades ago was what? It was kind of a metaphor for. How can we create RIFs, reductions in force...

SS

Downsizing.

ML

...downsizing. How can we lop off good numbers of employees?

SS

It was a euphemism for cost cutting and downsizing.

ML

You bet, you bet. And I, and one of the, you know, so I used to go to these conferences all the time about, you know, the value of reengineering. So look where we came out. The two men who wrote the book "Reengineering the Corporation" champion Hammer, they became customer experience consultants. That's where reengineering went after all the damage that it had done.

You went through this. It's not the same now, but there are aspects of AI adoption that are beginning to have that sort of creeping "meat-ballism" feeling that companies haven't adapted to use employees the way Peter Senge⁶ always identified employees as knowledge workers. What is the value that they're creating? Well, this is where HR gets involved in CX. There's a lot of cross functionalism that can take place and should take place, but honestly it rarely does.

So you know, a colleague and I are creating a training program at this point to help companies, particularly small and medium sized companies, where leaders have a little bit more flexibility to take action to understand what's the rationale, what's the justification for even considering this? Well, there's plenty of justification. Cultural and financial, operational, it can be done. So you know, she's got, she's got a background more on the corporate side in both HR and CX. My background is to a degree on the corporate side, but more as a consultant and a researcher. So we're, you know, we're blending on all of this and we're creating something that we feel very, very, very strongly about, that it's going to help organizations that want to get there, but just need a little bit of a guide and a set of tools and a model to help them do it.

So, you know, that's the justification. If I look at it from a totally HR perspective, gee whiz, what does it cost me to replace a good employee? And why do I want to do that? Why do I want to do that if I don't have to? If I, you know, if I have employees who have good relationships with customers wherever they are in the organization or, or with other employees who have relationships with customers, why do I want to see that kind of erode? Why do I want to see entropy take place in that kind of situation if I can avoid it? [30.13]

SS

Well, unfortunately, I think most employees think of HR as a "frenemy" as opposed to someone that's an advocate for them. And that's, that goes back to a leadership question which I'm going to swing back to a little later in this conversation. I do want to explore another, I'm going to say, pet subject for you over the years has been all around measurement. I mean that's, you know, your early years were largely in that area, if I may.

ML Yeah.

SS So, and you make the case that CX has never been more thoroughly measured than, than today. We got NPS, we've got CSAT, we got loyalty scores, we got customer effort scores, we got journey analytics scores. Yet the effect, ultimate effect on the customer is not being felt. That is, you've got all these scores, but it's not translated into effectively a better experience for customers. In fact, with bots today, it seems it's even getting worse. Automation is just taking over, stripping empathy and humanity out of the process. People feel taken for granted, abused. Is this a last mile challenge? Is it an execution gap if you will, or is it bigger than that? So great, got NPS on the, on our dashboard. Our dashboard scores are all green and yet you ask customers how they feel and they don't often feel very good about that experience. There's a paradox.

ML No, it's a great and complex question. You know, the quick answer is it may be all the above. I don't know that we're in the last mile, but we're rounding the curve to getting us there if we're not careful. Look, one of the challenges to customer effort score, net promoter, like in one of my books, you know, I won't dwell on it. I've been a 20 plus year skeptic for things like customer effort score, net promoter, certainly customer SAT, why? Because you can look at actual business results demonstration. 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? I'm standing there and how do I justify that? I need data and insights. Again, go back to my early points that are both real world and actionable. Consistently actionable. Going back to 2005, 2004, you know, kind of at base I'm a marketing scientist. I, you know, I have a terminal degree. I, when I was at GFK, started as NLP World and then again morphed into GFK, which ultimately morphed into Ipsos. But several colleagues and I created an advocacy model because we were looking at again high positive to high negative behaviour and understanding the truth about what's driving that. So that we got off of 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. So I was always confident and you know, and Colin, I was able to use this also when I was working with Colin and we kind of built on it, you know, again looking at employees as well.

So we were able to determine through, you know, through modeling that he had further proving out advocacy. One of the techniques that one of my marketing scientist friends when I was at Harris Interactive introduced me to is Discriminant Function Analysis, which is kind of cool. I mean I don't want to get deep in the weeds about stat, but we were able to see, okay, what is it that's really kind of leaning toward positive behaviour and leaning toward negative behaviour, sustainable behaviour. And so once we identified those kinds of things, we could break the customer base down and the respondents into quartiles, into decile, we knew exactly what was going on and where to focus recommendations, summary of the insights, and the recommendations as a build or a starting point to do pilot programs or to do expanse expanded elements of existing programs.

I've seen it prove out again and again. Didn't matter whether if it was in APAC or EMEA or North America. Everywhere I've done it, you know, and I don't, I don't run around standing on a, you know, a speaker's corner and, and yelling that it's the only way to go. But what I do know is that if your goal is to have actionability that will give you not just consonants, but give you causation about what's driving business results, this is where you want to go with the research.

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. And so, you know, if, if you're a pro, or director, or vice, whatever, wherever you are and you walk in, you walk into a leadership presentation, if you ain't got it, if you don't have those actual results and you can't connect the dots, goodbye. You'll get potentially your program slashed or eliminated. That's not what you want. I'm fairly conservative with this stuff. I want reliability. I want insights and data that I can rely on. [36.25]

SS Yeah, predictability too, right?

ML Absolutely, absolutely. So I go back to what I said at the very beginning, if you don't have that and you can't demonstrate it, then customer experience and your programs are a cosmetic exercise. If I'm a leader, I want accountability. You can't give it to me in 30 seconds, adiòs via con dios. I can't invest time or finances in your program if you can't do that.

SS

Is it one of the challenges though? And I think this is particularly true of loyalty measures. And I want to stick with this for a second because it is all, kind of all important. How do you define loyalty? Which I want to ask you, but it's a longitudinal measure for the most part. That is the things that you change today won't really be seen in those results potentially for a year, maybe more, because it is long term change. Isn't the challenge here in that connectivity to business results, the fact that most organizations are stuck with short term measures as their focus as opposed to caring about the long term? Isn't that the gap? Who cares about loyalty if I'm going to be compensated in terms of my shares next quarter or the quarter after or like, isn't that the problem?

ML

It's one, it's one of them. 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. They just don't have tolerance if I can't see it immediately. So you know, again that's part of the challenge.

And look, it also goes to the point that you were making before about what is loyalty? To me, real loyalty is these pillars of commitment. There's a sports analogy. One of the people that I read regularly is David Meerman Scott⁷, who's a consultant in this field and he looks at, he calls it "Fanocracy". If you can create this kind of zeal, you go to Trader Joe's, those people love it in there, it's a life, 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. So you know, other companies that have understood this, and it's not just retail, obviously, it's in multiple business sectors if the companies understand it and realize it.

So you're trying to create for these different groups of constituents, principally customers and employees. Loyalty then becomes about, do I have commitment to the company if I'm an employee? 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 companies that I've named, then it works. In too many companies it's a little bit of this, a little bit of that, and maybe not kind of the full monty about committing to this.

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, you know, very much like any other health care organization. That's not patient centric, it's not staff centric, it's not family centric. That isn't the way Baptist operates. For me as a, as a consultant and researcher going back a couple of decades, it was an absolute lesson, a valuable life lesson to go through that and just be a part of it, and absorb it, and observe what was happening as it was happening.

It's not necessarily easy to do that. Some companies do it at the beginning, obviously Southwest Airlines and Virgin companies, again the mindset of the founder. But not every company has that. Some companies have to, you know, go through a metamorphosis. Some of them find it difficult and don't do it, or do it only partially. And then some companies go in all the way. [40.50]

SS

Or even in the case of Costco, which is a best in class example, as you talked about, as they start to stray away from the founder's vision and his core principles, that's where trouble begins. And there was a recent article, I don't know if you read it in the New Yorker about Costco, suggesting that that seemed to be a trajectory that they were on. They were straying from that original founder's principles. And it's the financialization of management of course, because they get compensated based on, what?, shareholder value.

I want to explore - the other side of the coin on measurement is insight. Because you talked about value creation at the very beginning of this conversation. And value creation is all important. You, how do you improve the lives of customers? Through the value that you create as a business. This is one of the other blockages, as it seems to me. Again, your background strongly in this area, and we have more information than ever about customers, obviously: 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 today, yet it strikes me that with all of that information, companies are still struggling to convert it into customer strategy. Would you agree? And why is that?

ML

I think that's a great point. Let's go back to Colin, for example. Colin always posited that if you're taking your family to Disney World and you're going to get something to eat there, Disney would like to say, well, people really want something healthy like salads. No they don't. What they want are hamburgers and hot dogs and soft drinks and ice cream. So where's the reality? And does Disney understand that?

Well, take that example, which he used in a lot of his presentations, and expand it to any other business, whether it's B2B or B2C, goes to insight. Does the company really, really understand what customers really want? There's an advertising icon who we both understand. And, you now, he said, look, customers won't say what they mean. They often won't do what they say. You know, you have to find ways. You have to find ways to really get to the Ishikawa 5 Why⁸. What is really going on here? What is it that customers really want? And you have to have tools, research tools, metrics, that kind of lay that pathway for you.

SS

What problem are we trying to solve for customers?

ML

Sure, sure.

SS

And Tony Ulwick⁹ I interviewed recently on a recent podcast. He talks exactly about this issue. In fact, he believes segmentation should be rooted in the actual problems that customers are having.

ML

Well, it's courted. It's courted. Jobs to be done.

SS

Right.

ML

Sure he understands it. Sure he understands it. Again, there are companies that get it and companies that don't, or they're still kind of on that pathway to really try to understand this sort of stuff. If you can do that, you're a good way along. You, you know, again, this goes from passive, benign thinking to, you know, now it gets you into early loyalty thinking, gets you into commitment, and ultimately into advocacy.

You know, I give you a very quick example. One of the, one of the areas that I've looked at for years, and there's a colleague in Germany, an academic, who looked at all of this. So it's not original with me, certainly, but he looked at unexpressed complaints. I think we're both familiar with Janelle Barlow¹⁰, "A Complaint Is A Gift". I took it kind of a step further because I followed his lead. What

is it that you don't know? What is it that customers are not telling you until you proactively ask? And what you can find is that and in B2B, it's actually, it's worse than it is in B2C. So 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 and a reservoir because you can only see the, you know, 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. Well, this is an example of the kinds of insights that can be very valuable once you unearth this.

Again, it's part of 5 Why. What's really going on? What's really bothering you that you haven't told me about? I have demonstrated this for clients in live sessions where I've had them either sitting in a room with me or sitting behind a glass and I'm talking to their customers. I'm saying, what have you told your supplier? Well, I said this and that. Okay, now what haven't you told them? What's bothering you?

So let's say that I run a chain of fast food restaurants and late deliveries to those fast food restaurants are, you know, under 5%. The supplier thinks, hey that's great, we're 95% or better. Customers ought to be happy. No, they're not. Look at the 5% and what it did to their ability to deliver value to their customers. And who do they hold it against, Stephen? 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, mechanics to get at this. And yet, you know, it's a big deal.

SS

I love digging into verbatims from customers at the tail end of the loyalty SAT survey because so much information comes out of that that's valuable and to your point, often unheard. And there's a lot of nuance to reading into that voice of customer data as well. I want to push this conversation to more of an enterprise management discussion in the time we have remaining. And these are big questions as well. I apologize for this in advance but one of the cases that you make is that, and I still totally agree with that CX was made a distinct function or department. They even had, you know, customer, Chief Customer Experience officers in some cases, but rarely part of their remit is to actually drive meaningful change. So your argument has

always been, well, governance has to lie at a higher level, an enterprise level.

I want to know what that looks like in terms of a two part question. One is what does that look like in terms of organizational design? So if you, if you were to wipe out CX more and appreciating the fact that this is a responsibility that crosses all kinds of different departments and the problem is that silos that, that CX gets trapped into. But apart from that at the highest levels, how do we change an organization to deliver on the promise of CX? And I think the second part is what's the path to get there? Because we're talking about fairly significant change. And I wonder if it's a bridge too far for a lot of companies and that they'd prefer to go the incrementalism route and would that even work? So at the highest level, the will is there to get there, but the challenge is how we're organized to deliver against it. And secondly, how fast do we get there? What's your roadmap? [48.44]

ML

Yeah, a few years ago for the "Journal of Creating Value"¹¹, I wrote a feature article on CX value in the future of work. And where I've seen it most effectively is where CX rises to, or, you know, gets set up at a more senior, overall company level, that it's not just a group or a department, gets relegated to the sidelines, that it's integral to making things work across the organization.

One of my metaphors for this is, you know, well, where does that come from? Where does that come from? HR has to be actively involved because employee experience is core. But then the HR people have to have the tools and the capabilities to make that happen and be able to see a bigger picture. I think there are, there are places where honestly, Stephen, that's beginning to occur. Is it happening quickly? No, but in the kinds of companies that I've been mentioning, it does exist.

One of the cases that I have in this program that my colleague and I are working on comes from Australia. Interesting. A bank, a major bank in Australia, where a single individual is the head of HR and customer experience combined. Never see that, but there's a method to that madness because under her, she's able to create a team that is, you know, basically corporate wide. So there are places where this kind of thing can occur. One of the

examples, and I like sports metaphors - last year when the Philadelphia Eagles won the Super Bowl, the architect of all of this is a man by the name of Howie Roseman. Howie's like the general manager, but he's like Svengali. He's like, you know, he's a guru. He brings everything together. The player capabilities, the X that create the CX. So he's not the president of the organization, but he's the architect of change. I think goes exactly to your point.

David Meerman Scott kind of makes the same argument. The one that I look at mostly is Seth Godin in his book "Linchpin" - bring it all together. 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. You know, I mean over and over, I mean this is a 2010 book, I think of Seth's, but he has built on this again and again and again. 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 Linchpin. Everything connects. It goes back. It influenced me in that piece that I wrote. It influences Colin in a lot of his thinking. We've seen it with companies that make it work. We've seen it in companies that can't and don't, or try and fail.

So it's there. It's going to require effort, it's going to require investment. It's going to require, you know, potential modification, I think, of how you work with employee experience, how you link, exploit employee experience, connect it and integrate it with customer experience, going back to my quote about Deming, on a corporate basis. It really is, you know, that's why I go back to books like "Firms of Endearment". I mean Sheth, Sheth and Sisodia got it right. It created, you know, it ended up being a whole movement because this is what conscious capitalism is all about. Whole Foods Market is built entirely on conscious capitalism.

So you know, and organizations that do this proactively, progressively bring it, to bring it together, they're hanging in. I look at companies now kind of on the cusp. There are companies that have fallen by the wayside because they haven't done it and they haven't understood it. It's a different world now. Even with all the stuff, all the turmoil and chaos that's going on in the job market. HR, if they're progressive, are taking on a broader role where they're not just beholden to the employees, they're beholden to

maintaining the employee base and creating value for all the stakeholders. If they're really on their mettle, that's what they're doing.

SS

Jagdeth calls it, I think in that term "Firms Of Endearment", or maybe it's a subsequent paper he did, he calls it "share of heart"¹².

ML

Yes, I've seen a lot of material of organizations, even people who are experienced, you know, in working with employees, deriding the whole role of empathy. What, why, why, why? You know, again, I can look at companies that I have worked with that claim that they have kind of a family oriented culture. Well, if this is the way you treat your family, maybe you don't want to belong because I've seen that kind of thing, you know, be very provincial, honestly, and just, it doesn't it just doesn't hold up very well.

If you can't bake it into the DNA. Look, that was my thing with MBNA America. They didn't lose employees, they didn't lose customers, they had low credit risk, they were hugely profitable. That's why Bank of America bought them in the first place, because they wanted that. So, you know, that's why they were an attractive target. [54.50]

SS

So there's two keywords you just mentioned. One of them, empathy. Absolutely. Humanity could be another one.

ML

Sure.

SS

I suggest the third one, if you will. If we think of this as a triad, is trust. Because if you're showing empathy, if you humanize the organization, actually care about people first and customers first, then you're, you're almost there. Is trust, though, going to be the one measurable asset that will propel organizations down this path at an accelerated rate? In other words, if they embrace the idea of trust being the key measure, not NPS or any other proxy measure, do you think that that's, that's the right way to go? That trust is in fact going to be the end game here?

ML

It's critical. If you don't have it, all you have to do is look at Wells Fargo. Has Wells Fargo recovered, even Southwest Airlines, which has issues with its route management system and what this has done at peak travel periods to their passengers and their customers. Or look at what Southwest Airlines has now done with, you know, your ability to where you sit on the plane and, and all of that. Every time companies start talking about, well, we've improved our loyalty program, we've done this,

we've done that, invariably it goes the other way because again, what's in it for me? What have you taken away with this streamlining and this improvement? Now, trust is critical. Trust is the fulcrum. It's almost even more than that. It's probably a cornerstone.

So, you know, 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. And if you don't have it, well, you know, you can start looking at what undermines trust and then what happens to customer potential churn – risk, erosion.

When Jill [Griffin] and I wrote the book 20 years ago, honestly, Stephen, that was almost the entire focus of the book was about trust. What did you do as an organization to either do this subtly or egregiously, such that I no longer feel like I, you know, I feel like you care about me. I'll go find some other, you know, some other vendor who cares about me a little bit more, doesn't take much.

If I look at Wawa¹³, that's kind of one of the things they encourage their employees to really be real with, with customers. So it has created a really casual atmosphere. Again, it's a lifestyle. I trust it. I trust it. You know, so the organizations, I think, that create and sustain trust, it's foundational, it's a pillar.

SS

Yeah, and it's authentic. It's felt by the customer.

ML

Sure, sure. I mean, they're different. If you look at trust as a, column or, or a pillar emotion, it's all of these things that make up trust. Yeah. It's humility, it's transparency, it's accountability. It's all of these things are components of trust. When companies begin to lose that and don't understand why, they got a lot of work to do.

SS

Yeah. So earning trust becomes, should be the mantra of CX leaders going forward, that's the number one thing.

ML

Earning it and sustaining it. That's why I use an organization like Wells Fargo. You know, what they did was pretty egregious and, you know, inside and outside. And they have made a lot of efforts to try to regain it. And everything that I see says that, mmm, not there yet. And how many years has this been? Almost 10 years.

SS

Yep, takes a long time to recover a reputation, for sure. Well, that's a great end note for, for the conversation today and maybe even the start perhaps of another book, it's been a while.

ML You know, I started...

SS For the audience, you just shrugged.

ML ...I started, I started to write one while I was in the moment and they wouldn't approve it, which was rather disappointing. But I was on the, I literally was on the path to do another one. This all continues to evolve. I mean, now AI has created kind of this whole new dimension that we have to be careful about and just learn to adapt. And we are. But, you know, there was a play by Plato called "Gorgias". I remember it from college. And he has a debate that Socrates kind of oversees. And the debate is, is public speaking an art or a science? And Socrates concludes at the end of the play, no, it's not an art, it's not a science. It's a knack. It pulls together the best of art and science. Look, CX does that too. So does EX.

SS That's a perfect way to end. Thank you so much for the conversation. This was an absolute delight.

ML I enjoyed it. I enjoyed it. I hope it was useful.

That concludes my interview with Michael Lowenstein. As we learned, putting customers first is not much more than theatre in most companies. Few companies have the appetite and stamina for the degree of organizational and cultural change required to operationalize customer-centricity. CX means more than just fixing the pain points - more than journey maps - more than dashboards blinking green or red - more than wall posters and pep rallies at town halls ("We put the customer at the centre of everything!"). CX is a leadership challenge that demands not just new systems and processes, but new ways of thinking. It means asking the right questions: Do customers trust us to do what's right and act in their best interests? How can we be more loyal to them? How can we show them that we actually care, instead of just saying we do? Fixing CX means making empathy part of the corporate DNA. Companies get trapped thinking technology will solve everything, when what's really needed is to make the company worthy of trust. A company that keeps its promises - treats employees and customers fairly - and operates by a simple principle: making customers feel good is good for business.

- ¹ "Customer Winback: How to Recapture Lost Customers And Keep Them Loyal", 2001
- ² W. Edwards Deming was renowned as the "father of the quality movement" best known for teaching statistical process control (SPC) to the Japanese.
- ³ The Malcolm Baldrige National Quality Award is awarded annually to organizations that demonstrate superior quality.
- ⁴ Conscious capitalism is a philosophy decreeing that companies should operate ethically to create value for all stakeholders rather than solely maximizing shareholder profit.
- ⁵ 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.
- ⁶ Peter Senge is the author of the 1990 best-selling book "The Fifth Discipline: The Art and Practice of the Learning Organization".
- ⁷ 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".
- ⁸ 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.
- ⁹ See Customer First Thinking podcast, Episode 57.
- ¹⁰ Janelle Barlow is the author of the best-selling business book "A Complaint is a Gift" and a renowned customer service expert.
- ¹¹ The "Journal of Creating Value (JCV)" is an academic journal focusing on value creation for customers, companies, and society.
- ¹² Along with co-authors Sisodia and Wolfe, Sheth popularized this term in "Firms of Endearment", suggesting that companies connecting deeply with stakeholders (employees, customers, suppliers) perform better financially and morally.
- ¹³ Wawa, Inc. is a chain of convenience retail stores and gas stations that originated in the Philadelphia area.



Stephen Shaw is the chief strategy officer of Kenna, a marketing solutions provider specializing in customer experience management. He is also the host of a regular podcast called Customer First Thinking. Stephen can be reached via e-mail at sshaw@kenna.ca.