# The Leader's Guide to Customer Experience

Indispensable advice for planning, managing and measuring CX initiatives that deliver real-world results.



methodical

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# Introduction

Five years have passed since we released our first book – *The Ten Principles Behind Great Customer Experiences* – and what a five years it's been.

We've had front-row seats as customer experience mania has swept the globe, worked with an enviable roster of clients, and shared our ideas with thousands of practitioners, managers and leaders.

We've learned a lot about what works and what doesn't when it comes to improving customer experiences. But, perhaps more importantly, we've also learned *when* customer experience initiatives succeed – the conditions in which they flourish, and when they die on the vine.

As with any hot topic, it's easy for the hype to overtake reality, and this is certainly true of customer experience. Customers are in charge, we're told.[1] If we don't delight them they'll *demonize* us.[2] Customer experience is the *only* sustainable source of competitive advantage, we're led to believe.[3]

While there's little evidence behind the hyperbole, there's no doubting its impact on management thinking. Businesses the world over have become obsessed with the notion of customer-centricity. They've created customer experience teams and endowed them with generous budgets. Some have appointed Chief Customer Officers. And yet for all the hype and bluster, for all the journey maps and design thinking, where are the results?

In reality, few have been able to outpace expectations and deliver improvements that customers really notice – your own experience as a customer should be evidence enough of that. Many can't point to tangible business results for their projects, and showing a clear return on investment remains a major challenge.

1 Villani, I., *Good to Great CX – Customer Experience Strategy to Execution* (Brighton: Major Street Publishing, 2016), 8
2 Trefler, A., *Build for Change – Revolutionizing Customer Engagement Through Continuous Digital Innovation* (New Jersey: John Wiley & Sons, 2014), 12
3 Manning, H., and Bodine, K., *Outside In: The Power of Putting Customers at the Center of Your Business* (Amazon Publishing, 2012)

Written in direct response to the questions and concerns of senior executives and leaders at many of the world's top companies, *The Leader's Guide to Customer Experience* explains why reality isn't living up to the hype, and what we can do about it.

It explains when customer experience improvements can help your business succeed and when they can't. It shows how to structure projects that deliver real-world results, and how to measure their impact. It explains how to create improvements that customers really notice, and who should be responsible. In short, it consolidates the lessons we've learned over the last five years into a brief, digestible guide for senior decision-makers. Enjoy!

Matt Watkinson

Matt Watkinson
CEO, Methodical

# 1 Decide what you mean by customer experience and what you don't

If you're considering launching a customer experience program, first you need to decide what you mean by customer experience and what you don't, in a way that makes sense for your particular business. There are two reasons for this.

First, what we think of as customer experience varies from business to business, and without a shared understanding we can't work effectively with other teams or disciplines. And second, without a clearly defined remit for our projects we'll struggle to get things done and prove the value of our work.

## The four sources of customer value

To frame customer experience within a broader context, it's helpful to distinguish between four basic factors that generate value in the customer's mind:

1. **Brand** – the overarching associations customers have with the business.
2. **Product or service proposition** – the needs it satisfies and what makes it a good choice.
3. **Awareness** – the advertising, communications, and word of mouth that influence people's perceptions.
4. **Customer experience** – the interactions people have with our business and how they feel about them.

When we draw these distinctions we can see a fundamental disconnection between what we experience in our role as a customer, and how we in business must approach customer experience to make it manageable. This causes a lot of confusion, so let's take a closer look.

As customers, when we have an experience, we don't consciously separate out what is a brand expectation, what is a feature of the product, how the price point or advertising has influenced us, and the quality of the customer experience. They all gloop together, and what emerges is our perception of value and sense of satisfaction.

But from a business perspective, as soon as we have a specialized workforce or we're big enough to be assigning roles and responsibilities we need to put boundaries in place around who does what, how much budget they have, and how we assess their performance. Customer experience – in the sense of being a specialism, team or business initiative – is no exception.

If we don't consciously define it in relation to other aspects of our business, we find that customer experience ends up meaning anything and everything that could increase customer value or satisfaction, at which point it becomes a meaningless term, and any hope of demonstrating a return on investment evaporates.

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To make things even more challenging, when we look at real-world examples, we find that what we consider customer experience varies from business to business. Let's take a look at a few examples, starting with something simple like a Nike running shoe.

The Nike brand is virtually synonymous with human achievement – a major source of value. Their running shoes boast innovative features and are worn by marathon winners the world over – making them an appealing proposition.

They are also well-known for their creative, inspirational advertising and sponsor top athletes in seemingly every sport imaginable, creating massive awareness and reinforcing their brand image. But what role does customer experience play in Nike's success?

Well the customer might want help choosing the right pair for them from Nike's extensive range. They need to try them on and take a test run. They might need to return them if they don't fit quite right. These interactions are all part of the customer experience and contribute to the customer's perception of value. Pretty simple stuff.

Let's consider a B2B example now: the accounting software Quickbooks. Launched as a product by Intuit in the 90s, Quickbooks has blossomed into a trusted brand in its own right. It's the clear market leader, used by over five million businesses globally.[4] Targeted at small businesses, Quickbooks is affordable, easy to use and saves you time — a pretty compelling proposition. And as with Nike, awareness is extremely high, partially on account of their massive market share. When small business owners in America think accounting software, they think Quickbooks.

But how does customer experience fit into the mix? There's a distinction to be made here between *the product's user experience* which is part of the proposition; and *the customer experience* that sits around it, like product support, complaint handling and billing.

The Nike running shoes and Quickbooks have something in common here. Both products have *experiential value* — comfort in the case of the shoe and ease of use with the software — but we don't think of those as part of the customer experience. Nobody would go for a run and say "I just had a great customer experience running in my new Nikes — they are so comfortable!" Clearly *comfort*, even though we experience it, is a feature of the product. Now things aren't quite so clear. Let's look at one last example.

When it comes to an airline, how do we decide what is the proposition and what's the customer experience? To me the proposition comes down to the price, destinations, the fleet, and features like lounge access. But I'd put the check-in procedure, ease of amending a booking and interactions with cabin crew in the customer experience box.

You might disagree with me of course, but that only proves the point — we may be talking at cross-purposes and we see this a *lot* — teams squabble and tread on each other's toes because they aren't working from a clear and common definition.

In summary then: our first step towards succeeding with customer experience is to define what it does and doesn't mean, in a way that makes sense for our business. Once we've nailed this down, we're much more likely to succeed, because we'll also be able to see whether the customer experience is the problem or opportunity we think it is.

4 https://quickbooks.intuit.com

# 2 Diagnose the problem before prescribing customer experience as the solution

There's a wonderful saying in cycle racing that races are rarely won on descents but they can be lost. In a race like the Tour de France, however fast we go downhill, we've also got to be great at climbing, sprinting, and time trials if we want to win. But if we go shooting off the side of a mountain at forty miles an hour, we're probably out of the race entirely.

This is a wonderful analogy for thinking about customer experience, because the same is basically true. A bad customer experience may guarantee you lose – a bad Yelp review can be the death of a small business, for example – but a great one is rarely enough for us to win because we've also got to have a strong proposition, an appealing brand, and high awareness too. What matters most is the customer's overall perception of value, which emerges from all four of these factors smooshed together as we've already seen.

As we mentioned in the introduction, there are a lot of hyperventilating gurus telling us that customer experience is the most important part of the marketing mix in this day and age, but is this really true?

People will buy highly innovative products and services even if the customer experience has some rough edges – something most early adopters are happy to do. But the opposite isn't true. People won't buy a product that doesn't match their needs just because of the customer experience. If I need to get to Svalbard, I won't fly to Timbuktu because the airline going there has a better customer experience. Having a genuinely differentiated proposition is the most important, powerful source of value.

SpaceX is a good example. They have $12bn of missions on the books because their innovations have dramatically lowered the cost of sending stuff into space.[5] In other words, they have a highly differentiated proposition. They haven't captured the world's imagination by taking what a normal rocket company does – if there is such a thing – and improving the customer experience.

Now let's think about branding for a second. The headphones brand Beats by Dre captured sixty-four percent market share in four short years[6] by creating a

5 https://www.spacex.com/about
6 https://www.theguardian.com/music/2013/sep/27/dr-dre-beats-1bn-carlyle-sale

powerhouse brand, despite questionable product quality and all that implies for the customer experience.[7] I've never heard of anybody achieving those kinds of results with a CX program.

Finally let's talk about awareness. Most people buy brands they've heard of because there's a basic comfort in the familiar. It doesn't matter how good our customer experience is if people don't know we exist. In the nineties, the *Intel Inside* ad campaign propelled Intel to over eighty percent market share, totally dominating their market.[8] Again, nobody has had that kind of success with customer experience initiatives to my knowledge.

The truth is, when we think of successful brands that provide a great customer experience, it's easy to forget that they often excel at all aspects of value creation. Amazon has an excellent proposition. Apple creates desirable products and has produced some of the most creative adverts in history. Those little white earbuds made iPod users immediately visible, raising massive awareness. Patagonia has an ethical brand, innovative products, creative marketing *and* a great customer experience.

**People won't buy a product that doesn't match their needs just because of the customer experience.**

Domino's miraculous turnaround in the last few years is another example. The new CEO started by fixing the proposition first — improving the taste of the pizza — then focused on awareness and brand building — apologizing to customers, promising that they'd changed and trying to win them back.[9] Then came the innovations that drastically simplified the ordering experience.[10] Fairly obviously, it doesn't matter if customers can order a pizza by text message if they don't like how it will taste.

This is not to say that the customer experience isn't hugely important. It is — and can certainly help make or break our business. It's not to say that we can't tip the balance in our favor with a superior customer experience — in some cases we can. But for most businesses most of the time, customer experience is more about not losing than it is about winning.

7 https://gizmodo.com/how-beats-tricks-you-into-thinking-it-makes-a-premium-p-1712319045
8 Byman, J., *Andrew Grove and the Intel Corporation* (Greensboro — Morgan Reynolds Incorporated, 1999), 83–84
9 http://pizzaturnaround.com
10 http://anyware.dominos.com

Before we empty our wallet on a customer experience program we need to consider carefully whether improving the customer experience will help us achieve our strategic goals or whether our problems might actually lie elsewhere. If people don't want what we're selling — maybe our product or service doesn't satisfy a goal, or is hopelessly outclassed by alternatives — the experience is irrelevant. If our brand doesn't enter consideration because our target audience has already decided that another brand is a better fit for their self-image or values, again our CX improvements will have limited impact. And if people don't know we exist, or forget us in the decisive moment — they'll likely never enjoy our improved experience in the first place.

As obvious as these things sound, ill-informed customer experience propaganda has managed to convince people otherwise. As a direct result, we see businesses trying to customer experience their way out of a proposition problem, or an awareness problem, or a dull brand all the time, and their initiatives never bring the hoped-for results.

In summary then, you don't win on customer experience — you win on overall value. That may be achieved through customer experience improvements, but it might not. Make sure you've correctly diagnosed the opportunities in the marketplace and your particular strengths and weaknesses before prescribing customer experience improvements as the solution.

It's the only way to ensure that customer experience makes a meaningful contribution to the success of the business, a topic we'll turn to now.

# 3 Treat customer experience as a means not an end

The aim of most customer experience initiatives – and you'll hear this a lot at conferences and away days – is to delight the customer. It's a noble sentiment, but a few problems are hiding in the rhetoric.

First, the kind of extreme satisfaction that creates genuine delight is an impossible goal for almost every business, either because what they're selling – maybe high-visibility vests or actuarial reports – doesn't have the potential to provoke such strong emotional reactions, or the cost of achieving it is prohibitive.[11]

Second, even if we do delight our customers it might not make much difference. Research suggests that once people's expectations are met, exceeding them doesn't have as much impact as we think. We're so used to hyperbolic advertising and unreliable service that we're actually pretty happy just to get what was promised consistently.[12]

Bizarrely, the same experts who preach the gospel of delight often cite Amazon as the gold standard of customer experience – a brand that never over-delivers or delights their customers. They just do exactly what they say they'll do. Their success is down to absolute consistency and continuous improvement. They can keep promising more because they keep doing more.

> Genuine delight is an impossible goal for almost every business.

Third, because satisfaction can be affected by anything that alters our expectations or perception of value – pricing, features, advertising, etc. – demonstrating a clear link between a customer experience initiative and overall satisfaction can be difficult, if not impossible.

We could keep the customer journey exactly the same and give every tenth customer our product for free. They'd be delighted, and satisfaction would

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11 Dixon, M., Toman, N. and Delisi, R., *The Effortless Experience – Conquering the New Battleground for Customer Loyalty* (New York: Portfolio / Penguin), 13–17
12 Ibid.

shoot up, but not because of any improvement to the customer experience. Conversely, we could polish every aspect of the customer journey while making outlandish, unfulfillable promises in our new adverts and satisfaction would plummet.

## Satisfaction does not measure the customer experience

These simple examples make a profoundly important point: just because I need to have an experience to decide whether I'm satisfied or not, that doesn't mean satisfaction measures the quality of our customer experience. In fact satisfaction is a terrible measure of customer experience because most factors that determine satisfaction aren't under the control of the CX team — you can't draw a straight line from one to the other. That's not to say it's not an important metric — clearly it is. It's just that the only person who can fairly be judged on satisfaction scores is the CEO.

A simplistic focus on satisfaction and delight is problematic then, because it makes demonstrating a return on investment for CX initiatives all but impossible. We either struggle to prove that we are creating value for the business if satisfaction doesn't change; struggle to prove that it was our projects that increased satisfaction if it does; or we struggle to prove that increasing satisfaction has actually meant a tangible payoff for the business.

So what's the alternative?

## Treat customer experience as a means not an end

A better approach is to think of customer experience as a means to achieve a clearly defined goal that *directly improves business performance*. Since most people want to grow, let’s start there.

**Customer experience for growth**

Improving the customer experience can help grow our business in a number of ways:

- It can improve customer acquisition — by streamlining account creation processes, lowering adoption barriers or simplifying product selection, for example.
- It can increase up-selling, cross-selling and purchase frequency — through initiatives that simplify reordering or improve product communications, etc.
- It can increase retention, active usage, or share of wallet — by reducing customer effort or enhancing the after-sales experience, for example.
- It can justify a price premium — by creating a perception of higher quality, offering customization and personalization options, etc.
- It can even generate awareness — if we create remarkable or unexpected interactions that generate word of mouth, as some brands do.

But — and here’s the crucial point — we’re more likely to achieve these goals when they are the explicit aim of the project. First, we should identify which of those factors will help us grow the most, then ask ourselves how improving the customer experience might help us achieve them.

**Customer experience for cost reduction**

Beyond top-line growth, customer experience improvements can also reduce our costs — an easy way to prove a return on investment. We can lower our costs by reducing complaints and support queries, for example, or by creating self-service experiences that are better for the customer and less expensive for the business. But again, it can only do this if these things are the stated goals of the project.

To ram the point home: we shouldn’t start from the position of wanting to improve the customer experience. We should start from the position of wanting to improve the business, and then see how customer experience can play a meaningful role.

## Six ROI-friendly goals for customer experience initiatives

| |
|---|
| **Improve customer acquisition** |
| **Up-sell, cross-sell or increase purchase frequency** |
| **Increase retention, active usage, or share of wallet** |
| **Increase pricing power** |
| **Generate awareness** |
| **Reduce costs** |

**Figure 1:** Unlike vague aspirations to delight customers or increase loyalty, making one or more of these six goals the explicit aim of your customer experience initiatives will help you prove commercial returns.

**Customer experience as long-term insurance**

Does this mean we should only invest in customer experience when we can prove a financial return? Not quite. Some continual investment in customer experience is always necessary, regardless of the returns we can demonstrate, for a couple of reasons.

First, the competitive nature of business means that expectations are always rising. The ceiling today becomes the floor tomorrow. We have to keep improving just to stand still. And second, we should also think of our customer experience as long-term insurance against changing market conditions.

In B2B scenarios, but also with consumer brands, there may be no visible relationship between how customers feel and their purchasing behavior. They might be locked into using our service for a number of years by contracts, face high switching costs or might not have alternatives — so even if they hate us, we don't see that loathing in their purchasing or usage behavior.

When businesses find themselves with a captive customer, they tend to take full advantage, especially when they don't see any immediate consequences. It's not long before prices go up, service declines and they think they'll get away with it indefinitely. Eventually though, market conditions will change, and the knives will come out. Our grovelling apology tour will be too little, too late.

Smart leaders recognize that exceptional customer care is a long-term investment in social capital and goodwill that can help insulate the firm from a dramatic decline in fortunes when market conditions change. Much like any other form of insurance, you can't see an immediate return, but that doesn't mean you don't need it.

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Ultimately though, the more clearly we demonstrate that our projects result in real-world improvements to the business the more credibility we'll have, the more support we'll get, and the easier life will be. As a colleague put it, we can't expect CFOs or CEOs to fund a hope — they want a plan that delivers tangible results.

The only way to do this is to treat the customer experience as a means not an end. As an instrument to achieve clear strategic goals that will improve or sustain business performance. Once we've pinned those goals down, we need to be able to measure our progress against them, our next topic.

# 4 To demonstrate success, use goal-specific metrics

In the previous section, we explored how customer experience should be treated as a means, not an end. Instead of the aim being just to improve the customer experience – which we hope will result in more satisfaction or delight – we need clear business performance goals that can be achieved through customer experience improvements.

## For business results, use business metrics

How do we know if our project has succeeded against those goals, or whether we're heading in the right direction? We need to measure our results, and the more clearly our metrics correlate to revenues and costs, the more easily we can show a return for our CX initiatives.

The next step then, once we've identified clear goals and success criteria, is to pin down specific performance metrics that relate to our particular project and our specified goals. Some examples might be: conversion rate, purchase frequency, showroom footfall, order completion time, number of complaints, or contact center traffic – the options are endless.

The key thing is that each of these examples can be closely related to business performance. Increasing conversion increases sales, which should increase revenues, all other things being equal. If we can work out roughly how much it costs to serve customers in the contact center, we can estimate how much we could save by reducing the number of complaints. Once we've chosen our metrics, we can take a baseline reading so we know our current performance, and set a goal figure to aim for.

> The more clearly our metrics correlate to revenues and costs, the more easily we can show a return for our CX initiatives.

With the right metrics in place, we can make targeted interventions that will help us achieve our specific goal. Targeted is the key word here. We don't want to start arbitrarily re-designing everything from scratch – we want to focus our attention on interventions that will help us achieve our goal.

Once we're done, we measure the impact of our work, learn from it and continue as necessary.

One of the strengths of this approach is that because the project has a specific goal with specific metrics attached, it's much easier to demonstrate success. And because you've chosen metrics that relate directly to business performance you should be able to demonstrate a positive return for the project more easily. Not only that, because these kinds of projects are typically smaller and more focused, they're usually more realistically achievable.

Customers win because they experience an improvement sooner. The business wins because it achieves a performance goal. And the customer experience team wins because it can prove its value. Win Win Win.

## Leading vs. lagging metrics

Another handy tip as you embark on a project is to identify leading metrics as well as the usual lagging ones. To explain the difference here's a simple example.

If I want to get in shape, to monitor my progress I might measure my weight or body fat percentage. These are both what we call *lagging* metrics because they reflect what I've done in the past. *Leading* metrics, which can be used to predict the outcome, would be calories ingested and burned – if I create a deficit between these two I lose weight.

The great thing about leading indicators or metrics is that they focus your attention on the actual challenge area, while giving you a metric that is typically more within your sphere of influence.

It may take a bit of work, but you can usually find these leading metrics for customer experience projects. Let's say we want to increase completion rates for a particular task – setting up an account for example. One of many possible leading metrics might be the number of steps a customer must go through to complete the task.

We measured this leading metric for a mortgage application process for a bank once, and they were horrified to discover that what they thought was a simple form actually required 190 specific interactions. Cutting that number in half was a simple goal, and well under their control.

## Demonstrating return on investment from CX initiatives

To recap then — if we're serious about demonstrating returns from customer experience investments it's a simple, four-step process:

1. Define the specific goals and tangible success criteria for the project.
2. Take baseline readings of specific performance metrics that relate to those goals.
3. Make targeted interventions that will improve our performance along those metrics.
4. Measure the impact.

Rinse and repeat.

| Business goal | How CX could help | Example success metrics |
|---|---|---|
| **Improve customer acquisition** | Streamlining account creation processes, lowering adoption barriers, simplifying product selection, etc. | New account openings, conversion rates, etc. |
| **Up-sell, cross-sell or increase purchase frequency** | Simplifying reordering, trial experiences, improving product communications, etc. | Unit sales, upgrades, etc. |
| **Increase retention, active usage, or share of wallet** | Reducing customer effort, improving consistency, enhancing the after-sales experience, etc. | Churn, customer effort score, share of wallet, etc. |
| **Increase pricing power** | Conspicuous attention to detail, customization and personalization, etc. | Price point, price elasticity, contribution margin, etc. |
| **Generate awareness** | Creating remarkable or unexpected interactions, easter eggs, etc. | Site visits, showroom footfall, leads, social mentions, positive word of mouth, etc. |
| **Reduce costs** | Increasing self-service, reducing complaints and product returns, etc. | Channel usage, volume of complaints, returns, contact center traffic, etc. |

**Figure 2:** To prove a return on investment start by identifying the business opportunity, decide how customer experience might help, then choose specific metrics that will demonstrate success.

# The truth about the Net Promoter Score and customer experience

One topic that comes up a lot in our discussions with business leaders is the Net Promoter Score. They're concerned that it doesn't seem to be the magic metric it's hyped up to be, so with that in mind let's separate the fact from the fiction. We've kept it brief here and put the details in a separate report – *The Truth About the Net Promoter Score and Customer Experience* – available on our website, www.methodical.io.

When all's said and done, the value of any metric comes down to whether it provides an accurate reflection of reality, and whether it's a sound basis for decision-making. So when it comes to customer experience, does the Net Promoter Score meet these criteria? In a word, no, and for three straightforward reasons:

1. NPS measures likelihood to recommend, or positive word of mouth. It doesn't measure loyalty, satisfaction or the success of customer experience initiatives, directly or indirectly.
2. It doesn't accurately reflect a customer's real-world behavior so can easily lead us to misallocate resources or devote our time and effort to solving non-problems.
3. Finally, it's not the predictor of growth it claims to be.

Let's take these one at a time.

The NPS question asks customers how likely they are to recommend something. It doesn't mention loyalty, satisfaction, or customer experience. Instead it relies on a chain of assumptions. In essence, that positive word of mouth comes from loyal customers, loyalty depends on satisfaction, and satisfaction depends on the customer experience. So positive word of mouth is an apt measure of customer experience. Unfortunately reality is more complex.

For starters, our likelihood to recommend something isn't strongly linked to loyalty. There are many reasons for this but the most obvious one is that we share the news not the olds. We're more likely to talk about something we've just bought than something we've been using a long time because it's more remarkable.[1]

Research shows that for many categories the number of recommendations falls the longer people have been using a product or service.[2] Counterintuitively then, your most loyal, longest-standing customers might actually generate the least positive word of mouth.

The next broken link is the relationship between satisfaction and loyalty. The commonly-held belief is that satisfaction drives loyalty: the more satisfied we are the more loyal we will be, but in reality, there's almost no relationship between the two.

CEB surveyed 97,000 customers across over four hundred businesses and found almost no correlation. Not only that, twenty percent of satisfied customers said they also intended to leave. This is well documented in Matt Dixon's excellent book *The Effortless Experience*.[3]

There's a simple reason for this — just because I'm satisfied with one product today, doesn't mean I wouldn't find a new alternative more appealing tomorrow. I was satisfied with my Motorola Razr before the iPhone came out. That didn't stop me dropping the flip phone like a hot rock and getting in line at the Apple Store.

Since positive word of mouth isn't strongly linked to loyalty, loyalty isn't strongly linked to satisfaction, and satisfaction is influenced by many factors beyond just the customer experience, the value of the Net Promoter Score to guide decision-making for CX professionals is pretty limited. Furthermore, by burying these distinct factors beneath one catch-all metric managers cannot know where to focus their attention.

As the authors of *Loyalty Myths* remarked, "Even if the Net Promoter concept correctly measured a firm's loyalty level (which it does not), it doesn't give managers a clue as to what they should do. Instead of being a guide to action, it is simply a temperature reading."[4]

The second problem with the Net Promoter Score is that it doesn't accurately reflect our customer's real-world behavior. Again there are a number of reasons why, but in a nutshell, it's because those classified as promoters and detractors often don't actually promote or detract.

There are simple explanations for this. The key one is that the NPS question asks only whether you're likely to recommend something, but assumes that if you aren't, you're actively spreading negative word of mouth, which obviously isn't true. Just because I'm not evangelizing, doesn't mean I'm criticizing.

Unsurprisingly then, research shows that on average NPS overstates detractors by about 270 percent.[5] You can read all about this in Larry Freed's excellent book *Innovating Analytics*. If detractors aren't actually detracting then the NPS measure isn't an accurate reflection of people's behavior and we shouldn't rely on it as a basis for decision-making.

Moving on to the third and final challenge then: NPS is not the predictor of growth it claims to be. A host of researchers, economists and statisticians at universities in both the US and Europe have been unable to find evidence to support the claim, even when replicating the original methods used to create NPS — in fact it's less predictive of growth than traditional satisfaction scores.[6]

This matters a great deal, because if you're investing heavily in customer experience thinking it will drive up your Net Promoter Score, and that will in turn lead to bounteous growth you might not get the results you're hoping for. So what should you do instead?

As we explained in parts three and four above, the best way to measure the value and impact of CX initiatives is to tie them to specific goals: conversion, purchase frequency, cost reduction, etc. and identify case-specific leading and lagging metrics that demonstrably link achieving those goals to business performance; instead of relying on compound proxy metrics.

Does this mean we should abandon NPS altogether? It really depends on your particular business and how you use the score when you make decisions. Relative NPS between direct rivals, weighted for market share could still provide some insights — clearly if you're pulling ahead of rivals on this metric and you're measuring like-for-like, you're probably doing something right or they are doing something wrong. Some of our clients swear that it works for them and they get valuable insights from the reasons that customers give for their scores. But the fact remains that we should be deeply skeptical about drawing conclusions about loyalty or future growth from our NPS score. Check out the full report on our website if you need a more in-depth read to convince you!

## References

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5 Freed, L., *Innovating Analytics: How the Next Generation of Net Promoter Can Increase Sales and Drive Business Results* (Hoboken: John Wiley & Sons, 2013), 38
6 Keiningham, T.L., Cooil, B., Andreassen, T.W., and Askoy, L. *A Longitudinal Examination of Net Promoter and Firm Revenue Growth* (Chicago, Journal of Marketing Vol. 71, July 2007), 39–51

# 5 Structure your customer experience programs to deliver real-world results, fast

We can think of customer experience projects as falling into three categories:

1. **Internal** – setting up tools, analytics and processes, hiring our team, evangelizing to our colleagues.
2. **Strategic** – like major research, segmentation, or end-to-end redesign projects.
3. **Tactical** – enhancing existing experiences and business-as-usual stuff.

Most businesses approach those categories sequentially: they start by getting the house in order; then set out to deliver a couple of big bang projects that really move the needle; and then – once they've made a big splash – they start tidying up loose ends.

The problem here is that getting the house in order can take a year or two, by which point all the excitement the business had about customer experience has dissipated – we're just another department competing for budget and attention.

Add on the big strategic initiatives and that can be another year or two, by which point the CFO is rightly asking why it's been two or three years, a stack of cash has been spent and we've got so little to show for it – at which point our frustrated CX lead jumps ship and begins the same process at a different business.

Nobody benefits in this situation, but the problem is mostly of our own creation, and down to the program structure. What we should be doing is running these three types of initiatives in parallel, but making visible, tactical improvements the top priority.

## Real-world improvements come first

Don’t forget that the aim of our CX initiatives is to improve the customer experience out there in the real world. If we can quickly identify ten or twenty possible improvements, prioritize them by cost and impact, and then get them delivered, a few things will happen: customers will see that the business is serious and start responding positively. When customers start showing a real response to the work, the business stays engaged, and we win people’s trust. Then, once we’ve demonstrated that we can deliver and we’ve got that flywheel spinning, there will be a lot less resistance to projects that have longer lead times or a slower payoff.

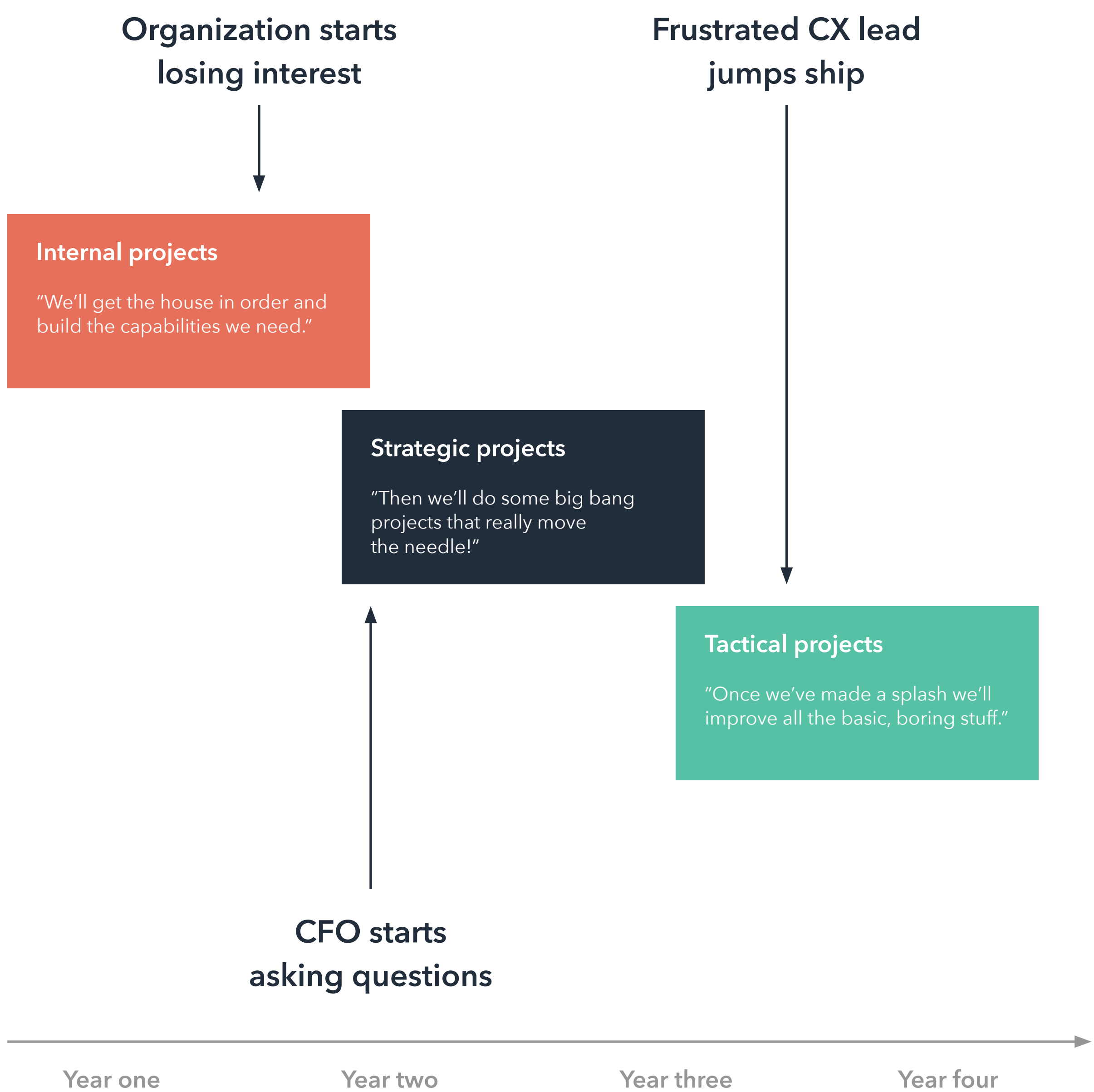


**Figure 3:** If we take too long to show results for our CX initiatives, interest and funding from the organization will dwindle, to everyone's frustration.

# 6 Tackle CX challenges at the root or don't expect big, long-term gains

We often find that a poor customer experience is a symptom of a problem elsewhere, and sooner or later these underlying issues put our CX initiatives in a chokehold. Four root causes of CX problems are especially common: the revenue model, incentive structures, bargaining power, and infrastructure.

## Revenue models

It's entirely possible that our revenue model can fundamentally oppose a good experience for the customer. The standard example is Blockbuster – who made their profits from fining customers, but we also see this with service businesses such as agencies and consultancies.

If we bill for time and materials, we're naturally incentivized to have the biggest team working on a project, taking the longest amount of time possible – it's how we'll make the most money. But it's usually not in our client's interest and sooner or later the customer experience suffers.

## Incentives

Incentives are another classic problem. If we have a commission-based sales team and they aren't making their numbers by the end of the month, they'll do whatever it takes – to hell with the customer experience.

Wells Fargo is a brilliant example. The CEO decided that every customer should have eight Wells Fargo products, whether they wanted them or not – "Eight is great," he used to say.[13] Employees risked losing their jobs if they didn't meet the targets and found the situation extremely stressful – many reported health problems and at least one started drinking the alcoholic hand sanitizer in the office.[14]

13 https://www.theguardian.com/business/us-money-blog/2016/sep/22/wells-fargo-scandal-john-stumpf-elizabeth-warren-senate
14 https://www.nytimes.com/2016/10/21/business/dealbook/voices-from-wells-fargo-i-thought-i-was-having-a-heart-attack.html

It wasn't long before they started opening accounts and credit cards for customers without their knowledge or consent. When the scandal was exposed, customers were rightly outraged, regulators issued a hefty fine, and the CEO lost his job with no severance package, after thirty-four years at the bank.

The point is, it's almost impossible to change people's behavior if we incentivize and reward them for doing the opposite, but this happens all the time when it comes to customer experience. We want to encourage customer-centric behavior, but don't change incentives or performance metrics, and – worse still – often actively reward behavior that isn't in the customer's interest. As long as this goes on, our customer experience team is for display purposes only.

## Bargaining power

Another problem stems from strong bargaining power. Some businesses find themselves in a position where customers have little choice but to buy from them, and keep buying, because switching costs are too high, or there's not a viable alternative.

An example that comes up time and again is big IT vendors. Once their system is in place running some mission-critical part of their customer's business it ain't coming out again in a hurry, and they start throwing their weight around.

This happened to a friend of mine whose business was seduced into implementing such a system by a generous discount. As soon as it was up and running they started getting outlandish invoices for maintenance, support and additional licenses they'd never expected. In large corporations, where growth-hungry managers lack psychological proximity to the consequences of their decisions, few can resist the urge to exploit their bargaining power and the customer experience inevitably takes a hit.

## Infrastructure

Finally, there's always the risk that our operational infrastructure simply doesn't allow us to make improvements. When it comes to IT, supply chain or operations, the art of the possible, as it's often called, can exclude even basic improvements, or make progress agonizingly slow.

Unless we tackle these root causes, our ability to improve the customer experience is seriously limited, and creating a program that produces a clear ROI may, in extreme cases, be impossible. Sure, we can play around at the edges, but neat and tidy deckchairs won't stop the Titanic from sinking. The question is, what do we do when we come to one of these fundamental blockers?

## Tackling root causes

First, decisions need to be evidence-based, so you need to gather facts and figures that can substantiate your position. Second, you need to communicate the issue carefully. Be clear and objective — pointing out the implications, challenges and opportunities — but be wary of the politics involved and that you may not be seeing the whole picture.

In the best case, other leaders and those responsible will take your recommendations seriously and cooperate on possible solutions. At worst, it might be a non-starter politically. In the latter case, if you've been charged with improving the customer experience but find you genuinely can't make a difference, life is too short. It's not your problem if your colleagues won't listen or take action — move on to somewhere where you can do some meaningful work.

# 7 Make everyone responsible

One question that often comes up is who should be responsible for the customer experience. Should we have a chief customer officer? Who should report into whom?

Before we get into that we need to recognize an inconvenient reality – that almost any decision in any part of the business can impact the customer experience.

When Volkswagen was busted cheating emissions regulations customers were pretty upset about it. They'd been lied to, the residual value of their cars dropped, they weren't sure whether they could legally drive them, whether they'd be bought back – at the very least they'd have the disruption of unscheduled maintenance. A bad customer experience for sure, but one created by Volkswagen's leadership, engineers and tight-fisted procurement policies.[15]

> The projects with the greatest impact on the customer experience usually aren't customer experience projects.

When it was discovered that some of British supermarket Tesco's beef burgers were actually made with horse meat, again customers were not happy – but who was at fault? Probably procurement and supply chain management.[16]

We talked before about Wells Fargo but it's a great example here too. Customers were furious when they discovered their bank had been charging them for accounts and credit cards they hadn't signed up for. But here the problem was caused by aggressive sales targets from the leadership.

Each of these examples, and thousands like them, make an obvious point – that the customer experience is largely unmanageable in the traditional command and control sense.

15 Ewing, J., *Faster, Higher, Farther – The Volkswagen Scandal* (New York: W. W. Norton & Company, 2017)
16 https://www.theguardian.com/uk-news/2013/oct/22/horsemeat-scandal-guardian-investigation-public-secrecy

It is an absolute folly to think that a handful of well-intentioned individuals can overcome years of inertia and cultural precedent, disrupt an entrenched political hierarchy, and successfully compete against higher priorities that have more immediate payoffs.

The only way to move the needle is with total engagement across the organization. You need tenacious, unwavering commitment from the CEO and leadership team, and you need conscious consideration of the customer experience from all decision-makers.

The reality is that the projects with the greatest impact on the customer experience usually aren't customer experience projects. They're projects undertaken elsewhere in the business that have a knock-on impact on the customer experience. As such, every project should include a customer experience impact assessment.

We've created a tool that allows you — and, importantly, others in your business — to consider the total business impact of any project, customer experience or otherwise. This *project success checklist* (based on our book *The Grid*) is available free of charge on our website www.methodical.io. It takes a couple of minutes to use and makes a huge difference.

The next question then, is do we need a chief customer officer, or chief experience officer? It depends on their responsibilities, the existing structure of the business and their position in the hierarchy.

On the plus side, with the freedom to take a longitudinal view down the end-to-end customer journey, they can play an immensely valuable coordinating role across disciplines. Their team can fill a valuable research gap (if there is one) and play a vital role educating and supporting existing teams while advocating for the customer experience far and wide. And as we've seen, if they follow the correct approach, CX initiatives can create a lot of value for customers and the business.

Before we rush to appoint someone though, we need to think about our current structure:

When it comes to the notion of a chief customer officer, isn't this the CMO or even CEO's job? Will our CCO actually be empowered to change anything? Will politics and power structures make their job impossible?

These are difficult questions to answer and can only be taken on a case-by-case basis. No two organizations are alike, and context is king. As a general guideline we see head of customer experience not as a C-level role, but best as a direct report to a CMO, alongside senior brand, proposition development and advertising colleagues.

In summary then:

- Any decision taken anywhere in the business can impact the customer experience, so everyone must share responsibility. With very few exceptions, it can't be controlled from a central department.
- To succeed requires total engagement across the organization, starting with tenacious commitment from the top.
- A thorough, holistic tool like the grid will help anyone and everyone reduce the latent risk in their projects, including accidentally busting the customer experience.
- Whether appointing a chief customer officer is a good idea or not depends entirely on the business — there will always be pros and cons — think them through carefully before you make your decision.

# 8 Create better memories, not better experiences

By this point you should be feeling pretty comfortable with how to identify and initiate projects that will have a positive impact on the business, but a big question remains unanswered:

How do we make improvements that customers really notice? We don't just want to improve things on paper. Unless customers notice our improvements, their perception or behavior won't change much, if at all. The answer is to focus on creating better memories, not better experiences.

Back in the nineties, psychologist Daniel Kahneman and colleague Don Redelmeier made a discovery that should have permanently altered our thinking about customer experience, but hasn't – a psychological phenomenon called the *peak-end rule*.

They were conducting a fairly simple experiment that involved asking patients undergoing a medical procedure two questions: first, how much pain they were in during each minute of that procedure, then after it was over, how much pain they experienced overall.

They reasoned that the answer to the second question – how painful was it on the whole – would basically reflect the sum of the answers to the first question: the longer the procedure and the more pain they experienced cumulatively, the worse they would rate the experience.

What they found instead – and it's been demonstrated countless times since – was that the answer to the second question, in effect their assessment of the total experience, reflected the average of the most intense moment and the level of pain when the experience ended, hence the name, the peak-end rule.[17]

In his book *Thinking Fast and Slow* Kahneman distinguishes between two different parts of our psyche: the *experiencing self* who answers question one – How much does it hurt right now? – and the *remembering self* who answers question two – How was it overall? – an assessment based on our memory of the experience, which is influenced by the peak-end rule.

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17 Kahneman, D. *Thinking, Fast and Slow* (London: Allen Lane, 2011), 378–380

There's a profoundly important quote in the book, on page 381. "The remembering self is the one that makes decisions. What we learn from the past is to maximize the qualities of our future memories, not necessarily of our future experience."[18]

In other words, the experience isn't what matters, it's what we remember of it. To change the customer's perception or influence their future behavior, our improvements need to be memorable and take the peak-end rule into account. The question is, how the hell do you design a memory? The key is to think more carefully about expectations.

**The more an interaction deviates from our expectations — either below adequate, or beyond ideal — the more memorable it becomes.**

Our expectations determine our perception of any experience. So whether something is noticeable or memorable is profoundly influenced by what we expect to happen.

When we have experiences as a customer we don't have a specific expectation, we have a range where two boundaries are particularly important. On the one hand we have an idea of what adequate service would be; and on the other what desirable, or ideal service would be.

Let's say I go to my local coffee shop and I'm waiting to be served. I might be ok standing in line for five minutes or so, anything beyond that is below adequate. At the ideal end, maybe I don't have to wait at all.

Between these two boundaries, is what Leonard Berry calls the *zone of tolerance*. The experience isn't exactly setting our world on fire, but it's not a disaster either, and this is where most interactions take place.[19] Incidentally, Berry's book *Marketing Services* is probably the best customer experience book you've never read.

18 Ibid, 381
19 Berry, L., and Parasuraman, A., *Marketing Services: Competing Through Quality* (New York: The Free Press, 1991)

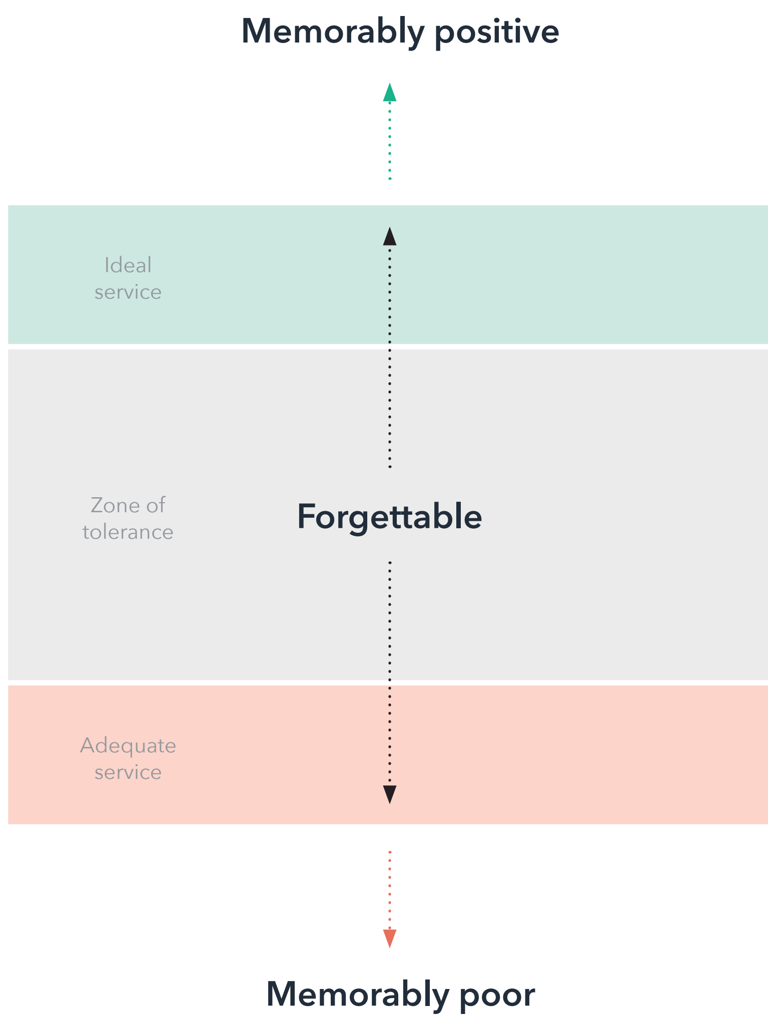


**Figure 4:** The further interactions deviate from our expectations, the more memorable they become. Interactions within the zone of tolerance are the most forgettable.

The crucial point is that we don't really remember interactions in that zone of tolerance. Why would we? The brain pays the most attention to things that are unusual, which by their very definition don't fit with our expectations. That's why we can drive home on our regular commute and not be sure how we got to the front door. If everything happens completely as normal, we don't remember it. In summary then, the more an interaction deviates from our expectations — either below adequate, or beyond ideal — the more memorable it becomes.

So how do we go about making noticeable improvements in the real world? We start by considering every stage of the customer journey from end to end, and identifying what the customer would consider adequate or ideal for each. Once we've done that, we consider how each stage fits with those expectations: memorably poor, within the zone of tolerance, or memorably positive.

During our customer experience workshops, asking these simple questions alone is usually the most eye-opening part of the session, because most people have never really stopped to think about customer expectations and how the experience compares.

What this usually reveals is that just a handful of interactions actually determine a customer's memory of the experience. The rest are forgettable.

So, once we know how we perform at each stage of the journey (see figure 5), how do we go about improving it? Bearing in mind the peak-end rule, we start by taking the final interaction and making it memorably positive in some way.

Once we've done that, we'd make any below-adequate interactions forgettable, by moving them into the zone of tolerance. From there we'd identify an opportunity or two to do something memorably positive *et voilà* — we've changed just a small number of interactions, and transformed the customer's perception of the entire experience.

This is not how most businesses approach improving customer experiences. Look at most journey maps and they won't include expectations, and if they do, they likely won't make a distinction between what is adequate and what's ideal.

Design teams then arbitrarily change all sorts of things — often at great expense — with no guarantee that customers will even notice the improvements. To make matters worse, marketing usually announces the new improved experience, driving up expectations and narrowing that zone of tolerance. Now we're right back where we started, only with less money.

This, perhaps more than anything, is why so much money has been spent on customer experience projects, yet customers and businesses have so little to show for it.

In summary then, to make noticeable improvements:

- Start by understanding what customers consider adequate and ideal
- Next, improve anything that might be memorably bad
- Sprinkle in some positive memory-makers
- And always always always, whatever you do, make sure to end the experience on a high.

There's just one last point here: remember that talk is cheap. That's a great thing – if you can improve the experience by communicating better and setting clearer expectations, that's much cheaper and easier than redesigning products or services!

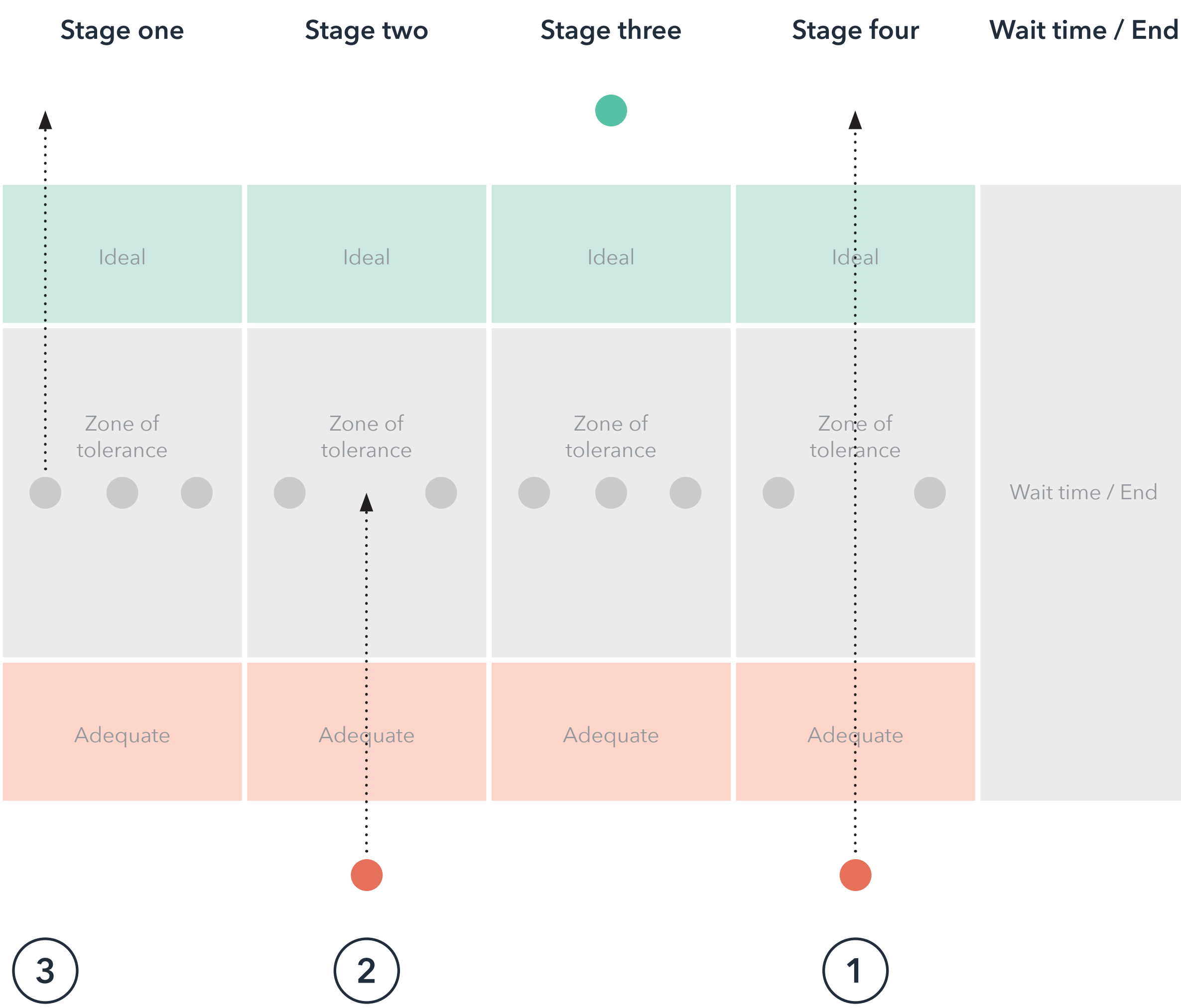


**Figure 5:** To improve this customer experience, taking the peak-end rule and memory-building into account, we'd start by improving the final interaction (1), then make the other below-adequate interaction forgettable (2), then consider another opportunity to do something memorably positive (3).

# 9 Use principles to make systematic improvements

In the previous section we explained how to identify interactions that can make a memorable difference to your customer experience, by explaining the peak-end rule and the role of expectations. The final piece of the puzzle is how to actually improve those interactions.

Unsurprisingly, we're pretty keen on using principles – having written a book on it – because they work, and work quickly.

We won't go into the principles now – you can read about those in our book *The Ten Principles Behind Great Customer Experiences*, as well as watch videos for each on our website – www.methodical.io. Instead, let's focus on how to use them.

The first step – if you haven't already done so – is to think about the experiential signature of your brand, and the principles actually make that very easy. Amazon, for example, is all about effortlessness. American Express is about a stress-free and sensory experience – they have comfortable airport lounges and distinctive metal cards. Apple's experiential signature is the same – beautiful products that just work. Whereas somebody like Build-a-Bear is about emotion, control and social – the kids want to have fun, they want to design their own bear and a lot of the experience comes down to how they interact with people in the store.

You need to start with a clear brand position, and align every effort with that. If you don't, you might end up with something good but generic that doesn't reinforce the brand as much as it could.

Next, for each stage of the experience we ask ourselves which key principles are at work, or should form the basis for improvement. We aim to identify the three most important ones in each case: Is it effort that's the problem? Can we make this stage less stressful? Would changing the sensory aspect of this interaction help reinforce our brand?

We then use these principles in two ways – first to define the challenge we're facing if the interaction is below adequate, then as a way to structure our ideation process if we're looking to make something particularly memorable, or even just improve it slightly.

In our workshops, teams identify tens if not hundreds of opportunities using this approach, because it's so much easier to come up with ideas when the problem or opportunity is well-defined. All that's left is to prioritize these improvements by cost and impact, and we're away!

In summary then:

- Start by thinking about the emotional signature of the brand – this helps you make distinctive, branded experiences for your customers that will remind them of you.
- For each stage of the experience think about the three key principles at work – is it effort, stress, control, emotion, etc.
- Use these principles and the free worksheets on our site to pinpoint the challenges and guide your ideation process – it's not only quicker, it will give you better ideas.
- Finally, prioritize your ideas by cost and impact and you'll have set yourselves up to succeed.

# About the author

**Matt Watkinson,**
**CEO, Methodical**

Matt is an internationally-renowned author, speaker and consultant on customer experience. He won the CMI's Management Book of the Year for his first book, *The Ten Principles Behind Great Customer Experiences*, considered by many to be the definitive book on the subject. He has been cited and interviewed by the world's leading research firms, has written for *Wired Magazine* and *The Guardian* among others, and as a speaker has addressed industry leaders at every kind of organization imaginable, from Microsoft to the FBI.

He is also a Senior Visiting Fellow at Cass Business School, London and sits on the board of a $200m technology distribution company. His second book *The Grid: The Master Model Behind Business Success* was published by Random House in August 2017 to critical acclaim.

# About Methodical

**We help our clients succeed by creating experiences that noticeably improve their customers' quality of life.**

Our customer experience services cover a broad gamut from strategy and workshops through to customer segmentation and design. Our unique methods lead to excellent results where it matters – in the real world. In recognition, we've been invited to share our ideas with organizations worldwide, including:

Microsoft, American Express, the FBI, Paychex, Google Campus, Ogilvy, Pelican Products, The Beverly Hills Hotel, Publicis, Syzygy Group, Sanlam, Contagious, O2, HSBC, Experian, The Institute of Directors, KwikFit, Dun & Bradstreet and Interactive Intelligence, to name but a few.

Our consultancy clients include an enviable roster of market-leading brands in Europe and the United States, from ARM to Zoetis.

**Find out more at www.methodical.io.**

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