



PART ONE



WHAT YOU NEED TO KNOW ABOUT THE CUSTOMER EXPERIENCE

In *What Customers Crave*, I focus on the current landscape of customer service—in particular, why it's so devastatingly different from what it was in the pre-connected economy age. In today's hyper-connected, hyper-competitive business world, old ways of providing customer service are failing.

As we explore this phenomenon, you will discover how power has shifted, where it now resides, and what you need to do to take advantage of this new paradigm. You will learn to identify your customers by type, rather than through traditional market segmentation. As a business owner, I don't care about classical market segmentation. I don't care what my customers' skin color is or whether they shop at Tiffany or Walmart. What I do care deeply about, to the depths of my marketing soul, is what they **love** and what they **hate**. In *What Customers Crave*, my emphasis is on helping you truly understand your customer types by showing you how to identify what they love and what they hate. These insights will allow you to create exceptional experiences for all



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of your customer types, across all touchpoints, and all channels—digital and non-digital.

I'll be discussing—and asking you to really lean into—insights and tools that will help you embrace our digital world. I will show you how to delight your customers and how to begin creating experiences for them—experiences that will turn them into social media mavens on your behalf.

What I'm asking from you in return is to lean into this information and be open to the new ideas and strategies involved because it's worth it—plain and simple. Your reward will be a more successful business, higher profits, and happier customers.

CHAPTER 1



THE ADVENT OF “EXCEPTIONAL” CUSTOMER SERVICE

Let’s face it: today, most customer experience programs are a disaster.

Don’t blame yourself, because it’s not your fault that these programs are failing you. Most organizations were sold the promise that if they used the right software, analytic tools, and processes, they would be able to manage their customer relationships and deliver what their customers wanted—every time.

This approach sort of worked for a while. We understood our customers through segmentation and *who* the customer was—white, black, male, female, affluent, not so affluent, in their thirties, in their fifties—thinking demography was the key. We believed the voice of the customer (VoC) was the answer and that customer relationship management (CRM) tools and Net Promoter Scores (NPS) were critical for success.

The problem today is that this approach is almost always wrong. Yes, wrong. We cannot continue to apply old-fashioned models in



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today's hyper-linked and hyper-aggressive environment. In fact, even when an organization has built a reasonably good strategy, it virtually always fails in execution. According to some excellent research conducted for the software company Oracle, 93 percent of executives say that improving the customer experience is one of their organization's top three priorities in the next two years, and 91 percent wish their organization could be considered a customer experience leader in their industry. But many organizations are stuck in an execution chasm: 37 percent are just getting started with a formal customer experience initiative, and only 20 percent consider the state of their customer experience initiative to be advanced.¹



A NEW BEGINNING: THE FALL OF THE CUSTOMER SERVICE-INDUSTRIAL COMPLEX



The term *military-industrial complex* came into common usage when President Dwight Eisenhower used it in his 1961 farewell address to the nation. Eisenhower used the term to warn the country of the dangerous relationship among the government, the military, and the arms industry. I have adapted it to the customer service-industrial complex, to warn businesspeople of the dangers inherent in the continued use of the canned "customer service" programs still in use today.

For nearly half a century, from the 1950s into the 1990s, customer service was easy. Its approach was authoritarian and did not directly connect with the consumer. Large organizations simply had control of the media through advertising and publicity and used one-way (simplex) communication to drive consumers to a specific service or product. In this way, they simply

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told consumers what their experience with a product or service was going to be like.

In contrast, an example of current success in our consumer-oriented economy is Uber, the ride-hailing car service. With traditional taxicabs, passengers had no control over what they would find when they got into a taxi. Sometimes passengers had good experiences, sometimes terrible ones. They felt they had little recourse but to accept what they got. Then Uber came along with its instant rating system, which let riders know exactly what other passengers had experienced with a particular driver. By the same token, the drivers could rate the passengers. In this way, both passengers and drivers could choose not to do business with people who had a reputation for obnoxious behavior.

In the old customer service–industrial complex environment, consumers were practically blind to their choices. Their social connections were limited (when compared to today), so they had no real way of determining the quality or value of a product or service. With few or no other options, they simply got what companies dealt to them. Purveyors of electronics, sellers of packaged consumer goods, hotels, airlines, and others were all experienced bullies, and there was little the consumer could do about it. This continued for decades . . . until the internet arrived.

To be fair, the customer service–industrial complex began with good intentions. Companies genuinely wanted to get closer to their market as they realized this was the path to more sales. The problem arose because they tried to create assembly-line techniques in the customer service process. In their attempt to drive efficiency and reduce costs, they looked inward—at what worked for them—and became self-focused, not customer-focused.

For this reason, most CRM systems are designed to help companies sell more products or services to customers. They’re concerned with identifying profitable and not-profitable customers

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and using this knowledge to find ways to allocate resources. Information about consumer behavior and purchasing habits is pooled into spreadsheets, and businesses create grand marketing and customer engagement plans based on that data. The problem is that no one along the way actually gets to know what I call the Soul of the Customer®. No one stops to identify customer types and what people really love and what they really hate. As a result, at best these systems are a waste of time and painful, and at worst counterproductive and destructive.

Can you use CRM to deliver better customer experiences while meeting your enterprise goals? Yes. But I find that most organizations use the systems from the perspective of a customer experience bully rather than that of a *disruptive innovator* looking to pioneer exceptional experiences across a customer journey.

Disruptive innovators identify weaknesses in competitive customer experiences (i.e., in old-school customer service), and then use the systems, methods, and tools of the enterprise innovator to create exceptional consumer value. In this book, I will show you how to do this.

Pablo Picasso, one of the most famous and influential artists in the twentieth century, said, “Every act of creation is first an act of destruction.” He was a disruptive innovator. In order to completely change the way in which painting was done, he had to destroy the way in which people looked at art. Picasso might have done well in today’s business world. This is far different from the incremental innovator, who really doesn’t destroy anything but only adds or subtracts a little bit.

THE RISE OF THE INTERNET AND THE BIRTH OF CUSTOMER CONNECTIVITY

In the early 2000s, the internet increased in influence and became widely available to consumers, causing an irreversible shift. Connection points, such as Yelp and Amazon, sprung up where people could rate their experiences and express their opinions about the quality of products and services. No longer did companies get to solely prescribe an experience in a way that best suited their purposes.

The consumer began to take control. The power shifted and customer service would never be the same. Rating systems that cataloged what to buy and what to avoid sprouted, and blogs that exposed bad experiences and harmful company practices popped up.

In other words, *connection architecture*—the ability to digitally link anything to anything—emerged, and it is having a tremendous impact on the success of companies of all sizes. Nest, for example, is a technology that monitors home energy usage. Based on this information, homeowners can modify their behavior and save money on their electric bills. Netflix’s connection architecture destroyed Blockbuster by allowing users to receive movies and TV shows in their homes via the internet for only a small monthly charge, with no late fees and no trips to brick-and-mortar stores.

Question: *How many completely self-serving, internally, and operationally focused companies do you want to do business with?*

Answer: *None.*

CUSTOMER CONNECTIVITY IN TODAY'S HYPER-CONNECTED ECONOMY

A few decades ago, most of us didn't even have email. Smartphones were relegated to sci-fi shows. Notebooks? Only the paper kind. Laptops? Heavy, expensive, and relatively rare.

Today, we have digital ubiquity. The spread of mobile technology is so pervasive that it's rare that a potential customer is not digitally connected. Customers now have unlimited options; they can buy anything, anywhere, anytime, and they can choose from a wide range of prices and quality. Perhaps even more important, they can buy, sell, praise, or condemn with a few clicks of the mouse or taps with a finger.

Rather than stick our heads in the sand and pretend consumers don't have this power, we can instead embrace it by creating exceptional customer experiences that rise above what a customer "expects" and that demonstrate a deep understanding of their deepest loves and hates. Such experiences are so remarkable that they lead to our customers doing much of our marketing for us. To create these experiences, we have to truly understand the hearts and minds of our customers—in other words, what they love and what they hate.

Word of warning: I will drone on about this ad nauseam because it's the most important thing you can do in your business today.

IDENTIFYING YOUR CUSTOMER: CUSTOMER TYPES VS. SEGMENTATION

Given the world we live in, we can no longer understand our customers simply by grouping them based on their age, ethnicity,

economic status, gender, and geography. This gets you nowhere on a good day and can bankrupt you on a bad one.

To help understand the difference between customer types and segmentation, think back to high school. In all likelihood, your high school senior class was comprised of one hundred or so kids who were seventeen or eighteen years old, and who lived in the same town. So, based on that market demographic, they should all have been marketed to in roughly the same way, right?

Wrong.

If you look at a typical high school lunchroom, you'll see it's divided into cliques, and it's the equivalent of social suicide to sit at the wrong clique's table. Theories abound that, even as adults, we're still scarred by high school social disasters!

High school cliques are architected based on what those kids hate and what they love. If you're into Java and Python and C++, then you're most likely at the geek table with your new Mac. If you idolize LeBron James, are on the team, and know the stats of your favorite NBA stars, no way are you going to sit with the geeks. You're with the jocks. Cheerleaders hang with the theater kids? I don't think so.

These groups don't evaporate when we graduate. They are with us for the rest of our lives. Sure, they may change as we age, find careers, and discover different interests, and we might even find some overlap with other types. But we still love certain things and hate others.

In order to create exceptional experiences, we as businesspeople first have to understand consumers better and then deliver relevant experiences to specific customer types. Once we truly understand the customer types within our specific business, we can begin to innovate exceptional customer experiences to each of those types, throughout their entire journey, using both digital and non-digital channels.

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These cliques—or segments—can be defined as customer types. And customer types can be defined by two extremely simple concepts:

1. *What customers love*
2. *What customers hate*

That's all? Yep.

LEANING IN: THE NEW CUSTOMER EXPERIENCE

People in the overwhelming majority of organizations believe they already deliver exceptional customer service. However, when their customers are interviewed about the quality of their service, it turns out that this isn't so. The overwhelming majority of customers believes companies are *not* delivering exceptional service.² So what's causing this big disconnect?

Most companies haven't transitioned from their customer service—industrial service complex past to today's connected world. They're still stuck in the old ways, the old mindsets, of customer service. They're still *internally* focused on profit rather than *externally* focused on the only thing that matters—the customers and *what they love* and *what they hate*. You must lean into the new customer experience to succeed.



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THREE SIMPLE PRINCIPLES FOR CREATING EXCEPTIONAL CUSTOMER SERVICE

Success today comes from three principles that *What Customers Crave* embodies. Success isn't about some complex calculus algorithm plastered on a spreadsheet and regurgitated in a customer service training seminar. Instead, success is derived from these three principles:

1. **Understand** your customers not through their market demographics but from the perspective of what they truly love and hate.
2. **Invent** exceptional human experiences across all five touchpoints (defined later in this chapter): the pre-touch, first-touch, core-touch, last-touch, and in-touch.
3. **Express** these exceptional experiences via digital and non-digital means.

That's it. The secret sauce. It's not rocket science after all.

THREE SHIFTS IN WHAT YOUR CUSTOMERS CRAVE

What Customers Crave expresses and embraces three power shifts in customer experience: the innovation shift, the customer shift, and the connection shift. These shifts will determine your business's future. They represent the difference between the failure of the customer service–industrial complex mindset and the



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success you will achieve as you accept the power of the consumer and experience the wonders they can achieve for you when you provide them with exceptional experiences.

I want to emphasize that these three power shifts occur across all your customer touchpoints. It's not a push-this-button fix. Rather, you must incorporate these shifts across the entire customer experience, for all your customer types, using digital and non-digital channels.

Now, let's move on to examining the three power shifts and their implications for your business.

The Innovation Shift

In the days of the customer service–industrial complex, the best organizations in the world invented products, which they sold for a profit. They told the customer what type of experience they were going to have and went on their merry way.

The innovation shift—the creation of all kinds of products and services serving every imaginable purpose—was the culmination of today's extreme competition, where we have reached value/price saturation. As a result, successful companies now use disruptive innovation to create incredible human experiences. Uber is a perfect illustration of disruptive innovation: Uber didn't come out with a new kind of motor vehicle, but forever changed the way we use hired transportation. Likewise, Netflix broke the barrier to viewing movies at home by creating a new delivery system based on a monthly subscription fee and no other charges.

So, while businesses used to invent bright, shiny objects, successful enterprises in the future will use innovation to invent new and exquisite human experiences. This shift is huge, yet most organizations don't yet view innovation as a core competency. Those that do are winners. It's as simple as that.

The Customer Shift

Customers today have virtually unlimited options for purchasing a product or service. They can sit in a commuter train, a Starbucks, or anywhere with an internet connection and do their holiday shopping, buy a car on Carvana, or search for the latest iPhone app.

More important, with a few clicks they can vet your business and determine if they want to be your customer or not—all while they go about their daily routine.

The customer power shift is critical. It means that control has moved from the business to the customer. There's no place to hide if you deliver a lousy product and/or sloppy service. You will be vetted by customers, and that information will be shared throughout cyberspace.

On the other hand, if you're good, there is no better way to build your business. If you wrap your arms around this power shift, develop a partnership with your customers, and see them as the key to your successful business (which they inevitably are), they will look after you. They will announce your wonderfulness on every avenue of social media, and they will prime the way for you to get future customers as others Google, Yelp, or otherwise search your reputation.

Amazon is the ideal company to illustrate this point. It fully understands what customers want and what they hate, and delivers on it every time. In fact, Amazon is the founding father of the customer shift. It created *über*-ease of shopping and a dynamic customer-based rating system that allows for almost risk-free shopping.

The Connection Shift

Every one of your customers is connected during the majority of their waking hours. The extent to which this is true is actually

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staggering. In 2013, Google partnered with Nielsen to study more than six thousand mobile searches and their results. Here is some of what they uncovered:

- On average, each mobile search triggered two follow-up actions.
- Fifty-five percent of conversions (in-store, online, or by phone) happened within the hour.
- Seventy-three percent of mobile searches resulted in additional actions and conversions.
- Of all the searches studied, almost 50 percent were “goal oriented and conducted to help make a decision.”³

In the process, Google coined new terms: “mobile moments” and “micro-moments.”

To quote from Google’s website: “Mobile has forever changed what we expect of brands. It’s fractured the consumer journey into hundreds of real-time, intent-driven micro-moments. Each is a critical opportunity for brands to shape our decisions and preferences.”⁴

In short, chances are your business is being Googled right now. Potential customers are checking out your online reputation to see if you’re worth doing business with. The power is now in their hands. However, innovation and providing exceptional customer experiences are in your hands. Figure 1-1 illustrates the various ways in which everything is connected to everything else in our hyper-connected world.

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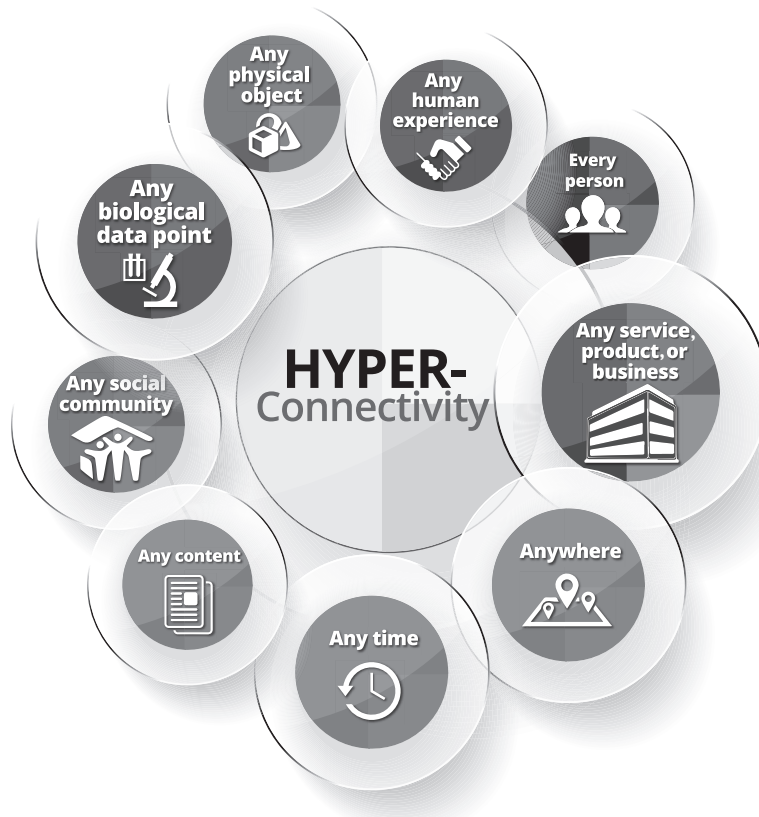


Figure 1-1. Hyper-connectivity today.

THE BOTTOM LINE

What's most important to remember is that you must take the time and make the effort to understand what customer types your business serves, and then learn what those types love and what they hate. It's that simple—and it's that hard.

It takes time and effort to get out of the office, to hang out with your customers, to spend a week being one of your customers, and to experience what they experience. But if you do, you will know where your innovation needs to happen.

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The benefit in today's business landscape is priceless. In fact, if you don't do this, you will fail—it's only a matter of when.

The *reality distortion field* (RDF) was initially used to describe Steve Jobs's charisma and its effect on the development of the Macintosh computer. Now the term is employed to describe how the charm and passion of a leader can be used to distort the scale and difficulty of a business project. I'm going to hijack the term to give you a word of warning: I believe that most organizations live in a reality distortion field. They are delusional in that they assume that if they deliver customer service at one or two touchpoints, they're good enough to compete favorably in the hyper-connected, hyper-competitive economy. They are wrong. One gap in exceptional service at any touchpoint and your business is toast.

So, once you've gained that carefully gleaned knowledge of your customers, then apply it across their entire journey with your business, and do it digitally and non-digitally across *all* touchpoints. You will stand out so far from your competitors that you wouldn't be able to see them even if you looked back.

CREATE THE PERFECT CUSTOMER EXPERIENCE: FOUR PILLARS OF SUCCESS

Accompanying the three power shifts are the four pillars of success needed to create the perfect customer experience. These pillars are really the centerpiece of this book. Follow them and your chances of success rise exponentially.

Using these four pillars, we treat customer service as a systemic process, not as a computer function or a training method. The culture of customer-centric innovation must permeate every aspect of your business. In this section, I'll show you how.

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Design

While researching my first two books, I had the opportunity to study the best organizations in the world. What I learned was that they all looked at exceptional customer experiences as a *design* activity. This is a much different philosophy than was previously used when thinking about customer experiences.

DESIGN

Now, when you plan an experience, you think about how to please the customer. You think along the lines of “How and what am I going to create that’s really customized and important to this customer type?”

So stop thinking of customer service as a best practice. Instead, think of it as a design activity where you’re gaining insights to create beautiful experiences across a palette of touchpoints. If you’re good at that, you win new customers and keep old ones.

Culture

Walk into any restaurant or business in your neighborhood and you can instantaneously tell if you’re going to have a good experience

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or not. You know this by the expressions on the faces of the customer service people, by the vibe, by the tidiness or lack thereof, and even by the smell. These are all expressions of the company's culture.

CULTURE

“A man without a smiling face must not open shop.”

—CHINESE PROVERB

Stakeholders want to work for an organization that has an important and meaningful mission based in goodness. You want to hire employees who want to work for a company that's mission-centric. That mission needs to be about delivering something worthwhile and important, and not just about profits. They're just a side benefit.

You attract good people by being good people. This is the culture that will make you win by having a well-articulated and well-internally branded mission of serving people in an authentic way. The more you try to make money by focusing only on money, the less money you make. The more you focus on delivering exceptional value and building a mission-centered culture, the more money you make.

Mother Teresa never set out to be famous. The Dalai Lama isn't looking to be a rock star. What they wanted was to deliver goodness, and they're revered throughout the world.

The organizations that do good for goodness's sake are the organizations that attract the best people.

Insights

I learned these lessons the hard way. After twenty-five years of wasting millions of dollars on failed innovations, I know a thing or two about the value of insights. As a serial entrepreneur and innovator, I’ve invented things that were dumb beyond belief. If I’d done a simple back-of-the-envelope calculation with most of them, and thereby gained insights into them, I’d never have wasted my time and money.

INSIGHTS

So, rather than working from inside our reality distortion field, to succeed, we must get real insights about what people love and what they hate. Again, if I’d just done that much, I would not have wasted millions of dollars.

Here’s the most important lesson I learned from this quarter-century of innovation successes and failures:

Innovation is easy. The hard part is knowing what to innovate.

In the same vein, customer experience is easy. The hard part is knowing what customers love and hate so you can create exceptional experiences they love and come back for.

The staff of the Harvard Business Review recently did a study that found that restaurants where you could see the chef preparing the food on average actually prepared better food. Chefs received instantaneous feedback in the way diners experienced their product. As a result of those insights, the chefs prepared better food.⁵

Customer Types

Knowing your customers is no longer about segmenting them according to their ethnicity and bank account. It's about getting to know them deeply and understanding what they love and what they hate. Only when you have this knowledge can you create exceptional, relevant, and very human experiences for them.

The final battleground in customer service isn't some new training seminar. It's creating exceptional and relevant experiences across all five touchpoints. You can do this only when you deeply understand your customer types.

CUSTOMER TYPES

When Apple introduced the iPhone 6, there were four different models to choose from. The real reason for the four models was that Apple had identified four different customer types when it came to iPhone users, so a model was produced for each.

Apple is one of the most successful companies in the world. It spends millions of dollars making sure its phones meet the demands of these four customer types. While it doesn't have to cost you millions to deliver excellent products and services to your customers, identifying your customers by type and understanding their loves and hates is the key to thriving in today's business world.

THE TOUCHPOINT PUNCH

The four pillars of success must be integrated across each touchpoint of your customer's journey. In the real world, the number

of relevant touchpoints varies. I once consulted for a major international luxury car manufacturer that developed a plan with 632 touchpoints! Can you imagine how impossible, moreover ineffective, it would be to try to implement a marketing plan with that many touchpoints?

Instead, I want to keep things simple. I want to give you something that’s digestible and actionable, so I’ve broken the customer journey down into five interconnected touchpoints (as shown in Figure 1-2). They may not be profound, but they are real. Touchpoints are so vital to your success that I devote an entire chapter to each later in the book. However, I *touch* upon them here.

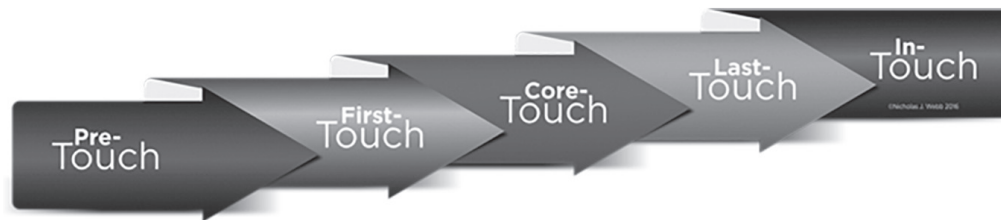


Figure 1-2. The five touchpoints.

1. The Pre-Touch Moment

This is the research phase, done digitally and non-digitally. Think back on the mobile moments and micro-moments I mentioned earlier. The digital pre-touchpoint is where your potential customers are checking you out online. They Google you and/or find reviews on Yelp, Amazon, or some other site. In other words, they’re educating themselves about your online reputation *before* they actually engage with you. Underestimating the value of this touchpoint is asking for failure. Its importance will only grow over the years.

The pre-touch can also be non-digital. If you have an actual physical location, what does it look like to potential customers

driving by? When customers park their cars? How about when they walk up and open the door? Are they greeted with smiles or scowls? It all adds up.

2. The First-Touch Moment

As mom always said, “First impressions last a lifetime.” So it goes with the first-touch. It sets the theme for how your customer will forever perceive your product, brand, or service. If you have a bad first-touch, it’s really hard to fix. Conversely, if your first-touch rocks, then you can easily build on that.

Customers checked you out in the pre-touch; here, for the first time, they actually engage with you. As with all the touchpoints, the key is to build an exceptional experience across all your customer types. Identify those types, understand what they want, then deliver it to them—exceptionally. Disney’s Grand Californian Hotel & Spa is an excellent example of a first-rate pre-touch moment. As you walk in, you are greeted by the most welcoming, friendly staff. Each member of your family—from your children, to your spouse, to your parents—is treated as a special guest. It gets you in the right mood as you begin your stay in the happiest place on Earth.

3. The Core-Touch Moment

Your customer is now living with your product, brand, or service. You need to deliver the goods, day in and day out. Just gaining customers isn’t enough: you have to keep reinventing great ways to serve all customer types throughout the entire relationship. Trader Joe’s food stores do the core-touch perfectly. Day after day, week after week, the stores tell a new story. In the fall, they offer pumpkin spice cookies and coffee; in the spring, it’s fresh

vegetables and flowers. Their employees are cheerful, helpful, and apparently happy to be working there. It's Trader Joe's attention to the details that makes it so good.

4. The Last-Touch Moment

The last-touch of a particular experience is the final moment the customer has with a product or service. (Actually, there should never be a last-touch, because, ideally, you will have many more touches with all your customers.) At this touchpoint, you send your customer off with a memorable goodbye that makes them want to come back. It's a way to thank them for being with you, to tell them that you valued the experience and hope they did too.

5. The In-Touch Moment

This is how and when you stay connected with your customers after their experience with you has ended. You must approach this with an absolute commitment not to try to sell them anything, but rather to consistently and pleasantly provide them with ongoing value. You want them to willingly come back to you of their own accord, not because you're shoving some One Time Only shenanigan down their throat.

CRM software packages are often used to sell people something. They enable companies to stay in touch for the purpose of getting customers to buy something else. But this isn't what customers love; it's what they hate. Instead, deliver ongoing constant value. Let your customers know about special offers only if you know it's something they need to have.

TAKEAWAYS

Science backs up this new body of knowledge about customer service. *What Customers Crave* presents the science of how to predictably and consistently deliver exceptional customer service across all your customer types via digital and non-digital channels. We know from our experience that it works—every time.

The only commitment you have to make is a willingness to lean into the information and to accept the discomfort of learning new requirements and a new way of viewing the customer service landscape.

Albert Einstein said, “The measure of intelligence is the ability to change.” This certainly holds true for the shifts in power we see today in customer service.