INTRODUCTION

Since the dawn of civilization when people first traded trinkets for fur pelts, merchants have tried to figure out what made their customers happy and therefore willing to buy from them. If they somehow learned the secrets of customer satisfaction, sellers then endeavored to deliver the solutions. This process continued for thousands of years, in most cases carried out by simply talking to the customer and asking what they wanted.

In recent times, and especially in the digital era, sellers have tried to uncover this information scientifically, using a complex array of tools including data collection, surveys, promoter scores, focus groups, and more.

Despite the expense and effort, so much of this has been in vain. In both the consumer and B2B markets, hundreds of millions of dollars are spent each year on consumer preference research and marketplace data collection, and yet the results are often incomplete and provide inaccurate customer insights. In fact, the overwhelming majority of today's companies fail to gain the inside knowledge that drives the ultimate goal of happy and loyal customers. They dutifully prioritize their marketing budgets, and yet their social media ratings are not where they should be, and most of their customers either hate them (at worst) or merely tolerate them (at best).

Don't take my word for it—let's try a simple exercise. Set a timer for one minute and then list five companies you absolutely *love*. If you're like most people, chances are you'll struggle to find an example of just *one* great organization that delivers predictable and exceptional customer experiences. There are tens of millions of organizations, yet most of us search to find one example of an organization that delivers an experience that makes us smile.

It can seem like a complicated problem, but if you're like me, you want a simple and easy-to-understand path forward that offers both fast and sustainable results. That's what this book delivers.

In these pages, you'll learn the benefits of shifting from a singular focus of *making your customers happy* to include *eliminating what your customers hate*. This is not a play on words or a riddle. The overwhelming majority of organizations are polishing the brass on the deck of the *Titanic* while their customer experience ship is sinking. The data shows that most organizations deploy on fractional customer experience solutions rather than using a triage approach to first fix their gaping abdominal wounds.

If you want to be the best experiential option for a customer, you need to begin by eliminating the hate.

Why does customer hate matter so much?

Haters hold the secret to your success—or lack thereof. Knowing what your customers love is useful, because they *want* to buy what they love. It's what they *hope* for. But knowing what customers hate is equally useful.

Organizations that have the highest degree of sustainable growth and profitability most often present themselves to the market as the *best possible option*. Again, I'm not suggesting perfect, I'm just suggesting the best option. In order to be the best option, most people have to hate you the least. It's a pretty simple formula, but for some reason most organizations completely miss it. Here are just a few reasons why you should strive to understand what the haters hate:

- When compared to customers who love you, haters are far more likely to share with friends and social media the fact that they hate you. Reviews that have specific hates are a powerful deflector of potential customers.

- Haters provide far more granularity about what they hate. Lovers tend to speak in a general vernacular, whereas haters get really specific. They will say *exactly* what displeased them. As I'll reveal in the pages ahead, this specificity can be very useful to your company.

- Haters are more emotionally energized than lovers, and their language is typically far more impactful.

- Haters have market power. A few bad reviews can knock you out of the competitive arena, costing your organization dearly—in some cases, millions of dollars.

- Haters want to talk to anybody who will listen about what they hated. That includes you, and reaching out to haters is the ultimate form of building customer insights.

And perhaps the most powerful reasons of all:

- Haters are inventors who offer up specific suggestions regarding what companies can do to stop the hate.

- Haters who are converted to lovers are some of the best promoters for an organization or brand.

Starting with eliminating what customers *hate* will help solve the underlying problem while providing far better insights into what customers *love*.

What Customers Hate will show you how to avoid the common pitfalls that have damaged some of the best organizations and best teams in the world, and how to change the philosophical view of customer experience so you can learn that customer experience is actually an innovation activity.

To help you separate the hate from the love your customers feel for you, this book provides a powerful new tool: the Net Customer Experience (NCX). You get it through the RealRatings system, which provides an accurate measurement of what your customers hated and loved across the five touchpoints and a range of hate/love personas.

In the RealRatings survey method, your customers give you lovepoints and hatepoints. Lovepoints are measured across four experiences aiming toward being loved. The four possible answers are "unliked," "liked," "loved," and "really loved."

Hatepoint measurements are measured across four experiences that trend toward hate. They are "not good," "bad," "hated," and "really hated."

By subtracting the hatepoints from the lovepoints to produce a score, NCX represents the net total of what the experience was like for customers. This score is very useful because it's expressly asking what a customer didn't like and what a customer did like at a specific touchpoint. This provides actionable insights that your organization can use to rapidly fix the dislikes to significantly improve your NCX score.

By leveraging the power of RealRatings and the Net Customer Experience, this book will show you how to significantly reduce the cost of customer acquisition. It will reveal how to keep your customers and turn them into promotional machines for your organization. You'll learn how to build a culture of institutional happiness and how to use powerful tools like the customer experience hackathon. You'll have everything you need to know to thrive in a time of major competition, massive disruption, and hyper consumerization.

The book will dive into a thorny subject that many business owners try to avoid: the direct connection between *employee happiness* and *customer happiness*. The real secret—and equally important fact—is that the reverse is true: there's a cause-and-effect link between *employee misery* and *customer hate*. There's no way your customers are going to be happy and feel good about their interactions with your business if your employees are projecting negative energy.

With that in mind, the book provides powerful insights on how to make organizational happiness an enterprise strategy. Customer experience is not a software solution, outdated best practice, promotion score, or survey result. This book demonstrates the need to redefine customer experience not as a marketing campaign or a fractional customer experience gimmick but as an *innovation activity*. To do this right, especially in a hypercompetitive marketplace, you need the superpower of customer experience innovation (CXI).

The process is easy to understand: to produce happy customers, you must not only give them what they want, you must also reduce the irritating things they hate—and be sure to include your own employees in the equation.

Ready? Let's get started!

CHAPTER 1

YOUR CUSTOMERS HATE YOU. GET USED TO IT!

Imagine you're on a road trip, driving from your home to a scenic destination a few hours away. You and your companion have been enjoying the day, but now the sun is setting and you're both getting hungry for dinner. Because you're in an unfamiliar area, you don't know the local restaurants. To find one, you ask your phone for suggestions of eateries near you.

On the screen you see a selection.

The nearest restaurant is a national fast-food burger franchise.

"Ugh—there's no way we're eating there," you say. "I hate that stuff. I want real food."

The next one is a chain pizza place.

"Nope," says your companion. "Their pizza tastes like cardboard."

"Here's one," you say. "Mom's Home Cooking. Good food and spirits."

Your companion agrees that you should have a look at Mom's Home Cooking. After driving for fifteen minutes, you pull into the gravel driveway of the restaurant.

"Uh-oh," says your companion. "This place is scary. Look at all the motorcycles parked here! I think Mom must be a member of a local biker gang. I don't think this particular establishment is for us."

You get back on the highway. The sun is nearly gone and you're really hungry. You scroll the list. "There's a seafood place a few miles up ahead. Fisherman Joe's."

"It looks okay in the photo," says your companion. "Let's check it out."

You drive another fifteen minutes and pull up in front of Fisherman Joe's. It looks pleasant, so you park the car and go inside.

The moment you step through the door, your companion turns to you and says, "Do you smell that rancid odor? That's a bad sign. They cannot be selling fresh fish. We need to get out of here."

You turn around and get back in the car. By now it's dark and you flip on the headlights. "I'm *starving*," you say. "What's the next choice?"

"Pasta Garden," says your companion. "Four miles ahead."

With your stomach growling, you drive to Pasta Garden. You park and hurry from the car. The menu is posted outside. You read it. "To be honest, I don't want pasta," you say.

"We have no choice," says your companion. "We're going inside. You can have chicken or veal."

You go inside. The place is pleasant enough. "Inoffensive" would be the best term.

"We've got to eat," your companion whispers. "How bad could it be?"

"I'm sure we'll survive," you reply as the hostess ushers you to your booth.

You dutifully order your meals and have a barely drinkable bottle of wine. After dinner, you pay the check and, with your appetite satiated, go back to your car.

"How was your chicken?" asks your companion.

"Like rubber." You shrug. "But it was food. Let's get going."

Let's step back and consider what just happened. That evening, you spent your money at one of five businesses competing for your consumer dollars. Of the five, Pasta Garden was the winner. They got your business. But should the owner of Pasta Garden be celebrating his victory over his four rivals? Should he think that because you chose to patronize his restaurant that you loved the experience and would go there again, and even recommend it to your friends?

Absolutely not. You did not choose Pasta Garden because you loved it and would add it to your list of favorite dining spots. You chose it because of the available alternatives; *you hated it the least*. In fact, you'd be happy to never set foot in the place again as long as you lived. There was plenty about the business that you hated—it was boring, had rubbery food, mediocre wine, and unexceptional service. The only thing you loved about it—if I can use the term loosely—was that the food was edible, it filled your stomach, and it didn't make you sick. At that moment in time, when you were desperate to eat something, your lukewarm love for Pasta Garden outweighed your considerable hate for the place.

On the Net Customer Experience tool, the restaurant's lovepoints just barely outnumbered its hatepoints. While it's better than the alternative—being totally hated—*this is no way to grow a business*! To grow a company, you need to elicit not merely grudging acceptance from your customers but genuine attraction. Here's why: While the owner of Pasta Garden may think he owns his market and needn't worry about competitors, his blithe ignorance will be shattered when a new restaurant opens down the street that offers its patrons much more to love and much less to hate. Suddenly his patrons will have a real choice, and Pasta Garden will be on the losing end. You've seen this happen over and over again in every industry, from retailing to electronics to automobiles. The complacent business owner who ignores the power of hate may survive from one day to the next, but only as long as he or she faces no competition. When a strong competitor emerges—which it always will—the customers will flee to the newcomer.

Being loved by your customers should be your goal, and every business must be focused on providing value and a superior customer experience. But the recognition of the flip side of the coin—the fact that consumers hate many businesses—should alert you to the very important fact that *reducing what your customers hate is just as important as increasing what they love.*

PERFECTION IS NEVER ATTAINABLE

In response to being handed this book, a typical business owner might say this:

> ***This book is called* What Customers Hate. *I don't understand. My customers are my customers because they love the products and services I provide. If they truly* hated *my company or my products, they would not be my customers. We live in a highly competitive marketplace, and every consumer has many choices. Therefore, anyone who is my customer must also love what we sell. If they do not love what we sell, then they are not my customer. That's why it's impossible to talk about what customers hate—especially* my *customers.***

In a perfect Utopia, where every choice is available all the time, this rationale might have some value. For example, if you manufactured the perfect peppermint toothpaste and could sell it in an instant transaction, and your potential customer wanted peppermint toothpaste, then that person would buy your perfect product. If the customer didn't want peppermint toothpaste, they would not buy from you. It would be very simple!

This belief is based upon the *ideal marketplace*, in which every customer can buy exactly what they want, when they want it, and have it instantly delivered into their hands. Another name is *frictionless commerce*, a theoretical trading environment where all costs and restraints associated with transactions do not exist.

In the ideal marketplace, the customer would be able to say, "I need to clean my floors, and my vacuum cleaner is old and broken. I need a new one, and I'm ready to pay five hundred dollars for one with all the latest features." At that moment, the perfect vacuum cleaner would appear in the supplies closet, and five hundred dollars would disappear from the customer's checking account. Poof! It would happen in an instant.

If your company could *not* fulfill this order, then the person would simply buy from some other provider.

That's a nice scenario, but it does not reflect the real world, which is much more complicated. All too many times, such as in the story of Pasta Garden, consumers must settle for the solution they hate the least. While driving in search of a place to eat, we rejected the first four restaurants because there was just too much to hate. At Pasta Garden, there was less to hate, and it won. It pays to know what your customers hate—and remove it from their experience.

No company is perfect. Neither are its customers. We live in a world in which we strive for perfection, but it's never attained. We're always one step behind what we hope to achieve. At Pasta Garden, the owner may be sincerely trying his best to present a quality product, but there are shortcomings. In every transaction, there's always some friction. People make mistakes, machines break down, the weather prevents shipments from arriving on time—there are many reasons why even a well-functioning system can be flawed.

The Number One Law of Customer Experience is this: *Your customers are always settling for second best*. Don't be offended, because "first best" is perfection in the ideal marketplace. No customer can have perfection. Because they can't have perfection, they look around for the next best thing.

Having been denied the ideal solution, in the process of settling for what they can get, the customer will look at a company or product from two distinct perspectives:

1. How much do I *love* this company? As the seller of a product, your goal is to maximize these good feelings. (This is the subject of my bestselling book *What Customers Crave*.)

2. How little do I *hate* this company? As the seller of a product, your goal is to minimize these bad feelings. (The subject of this book.)

These questions, and their answers, have equal weight. As we saw with Pasta Garden, your potential customer will be swayed by the sum of the two. If the scales tip in favor of loving your company, congratulations! You'll have—or keep—your customer, at least in the short term. If the scales tip in favor of hating your company, then sorry, you'll lose the sale and the customer.

Company leaders who accept the reality described earlier are one step ahead of the deniers—but they're not yet out of the woods.

The problem is that leaders are tempted to look at the problem of customer hate very narrowly. They think, "Okay, we live in an imperfect world, in which customers must choose between flawed options. Obviously, if our product is superior, customers will love it, and will choose us. Our products will speak for themselves, and sell themselves."

To support this view, they'll point to the fact that customer word of mouth is the most powerful marketing tool, and if the product is outstanding, then customers will tell each other, and everything will be ducky.

This naïve viewpoint completely overlooks the *customer experience* in its totality.

HOW DO I HATE THEE? LET ME COUNT THE WAYS . . .

Let's dive deeper into the many ways your customers can rack up hatepoints against your company.

Your Product or Service

As we've agreed, we live in an imperfect world. This imperfection extends to your product or service.

Okay, I'll concede that if you're in the business of selling sand and gravel, a commodity that hasn't changed in ten thousand years, you might be able to claim that your product cannot be improved and is therefore perfect. But you're the exception that proves the rule.

Products and services are designed to solve a problem or somehow change the living conditions of the consumer. Products cannot be perfect for two reasons:

1. **We live in a flawed world.** The materials and processes that we use to create products are limited in their capabilities. Mistakes in manufacturing happen. Design flaws

exist. They can happen at the very highest levels, such as in the Boeing 737 MAX passenger airliner, grounded worldwide between March 2019 and December 2020 after 346 people died in two crashes—Lion Air Flight 610 and Ethiopian Airlines Flight 302. The problems included poor design of the anti-stalling system and a lack of pilot training. The twenty-month grounding cost Boeing an estimated $20 billion in fines, compensation, and legal fees, and indirect losses in the form of 1,200 cancelled orders valued at more than $60 billion. It also gave Boeing a bad reputation, which it had to work mightily to restore.

Product defects can happen on an everyday level, too, such as the 2009 salmonella outbreak in peanut products that killed nine people and sickened hundreds. The source was traced back to the Peanut Corp. of America, an obscure, privately held peanut processor in Georgia that supplied hundreds of food brands. As news of the recall spread, wary consumers shunned *all* peanut butter by *every* brand, driving down industrywide sales by 25 percent. Peanut Corp. declared bankruptcy and went out of business. The Georgia Peanut Commission estimated at the time that, as a result of the disaster, America's peanut producers lost $1 billion between sales and lost production.

2. **Products become obsolete.** In this book, I'm going to talk a lot about innovation and how its pace is accelerating. The product you launch with great fanfare this year may be old news next year. Your customers will hate the product of yours they currently own when they see that your competitor has introduced one that's better.

   Obsolescence is also a factor in the price curve of new technology. Take, for example, electric cars. The price driver of electric vehicles has always been the batteries. Otherwise, EVs are astonishingly simple vehicles with far fewer moving parts than gas cars.

Prices of EVs are determined by the cost per kilowatt-hour of the energy produced by their batteries. This price is continuing to trend down, and according to a report from energy research firm BloombergNEF (New Energy Finance), by 2023 the market average should be $101 per kilowatt-hour. This will approach the price point where experts expect the cost of EVs to match the prices of comparable gas-powered vehicles. If federal and state tax credits are still available at that time, it's likely they could make an EV cheaper than a gas car to buy.

Since Tesla introduced its lithium-ion battery-powered Tesla Roadster in 2008, the price of electric batteries has been dropping. In 2020, the average global price for batteries hit a new low of $137 per kWh, representing a whopping 89 percent drop from 2010, when the price was $1,100 per kilowatt-hour.[1]

This means that many price-conscious consumers will hold back from buying EVs until the price is no more painful than a gas car. And consumers who bought an electric car in 2020 may be dismayed to see the same car selling for much less just a few years later.

Fortunately, on the love-hate scale, in 2020, buyers of EVs tended to be enthusiastic "early adopters" who loved the new technology and knew they were paying a premium to experience it.

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Your Customer Experience

Every sales transaction involves a process, which I'll discuss in greater depth in the pages ahead. Sometimes the process is very brief, almost perfunctory, while other times it can be prolonged, even over a period of months in B2B settings or in the consumer world for a major purchase such as a house or commercial property. Regardless of its length or complexity, customers always want to feel good about the process of selecting, buying, and using the product, and they want it to go smoothly.

The customer experience can be mapped out along a series of five "touchpoints," which I'll discuss in greater depth in the pages ahead. Suffice to say that at every touchpoint, you have the opportunity to amaze and delight your customer, and make them fall in love with you. You also have an equal opportunity to turn them off, discourage them, and even make them hate you. Every touchpoint can become either a lovepoint or a hatepoint.

The choice is yours.

Some people will say, "You're being overdramatic. Customers aren't that sensitive to every little thing. They want a product, so they go to the store and buy it. Or they click on the website. They go through the process, and they get what they want. No drama."

In response, I would say, "What's your profit margin? Three percent? Five percent? How much of that narrow margin can you afford to lose to a competitor who's working just a little bit harder than you to create a positive customer experience at every level?"

Take the case of the world's biggest and most ubiquitous retailer, Walmart. With over eleven thousand stores worldwide and revenues of over $559 billion, you might think that the chain could afford to relax and coast on autopilot. But according to Macrotrends.com, as of January 2021, Walmart's net profit margin was a razor-thin 2.42 percent. In 2018, it dipped as low as 1.01

percent. To put that into perspective, a New York University report on US margins revealed the average net profit margin was 7.71 percent across different industries. As a rule of thumb, 5 percent is a low margin, 10 percent is a healthy margin, and 20 percent is a high margin.[2]

In this century, Walmart has learned to face, and rebuff, a fierce competitor—Amazon.com. In response to the growing size of the number two retailer, Walmart ramped up its online presence at Walmart.com. In a move appearing to be a response to a similar price-lowering strategy Amazon initiated in August 2019, it subsidized the price cuts it demanded of some third-party sellers offering their goods at Walmart.com. While third-party vendors provide many of the goods sold via Walmart.com, much of the online inventory is Walmart's own. The company offsets thinner margins with more volume.

A key feature of Walmart's profitability is its low-cost production. With over eleven thousand locations, it's able to negotiate rock-bottom prices from suppliers. It's also able to distribute fixed costs over a much broader base, allowing Walmart to offer lower prices than most of its competition.

Walmart's continued success lies with its relentless adherence to the one simple goal that Sam Walton formulated in 1962 when he opened his first store: "Help people save money so they can live better." The goal is to help people live better lives as a result of the money they save by shopping at Walmart. With the money they keep in their purse or pocket, they can buy other stuff, or maybe go on that family trip to Disney World. It's a nuanced distinction, but an important one.

Is there something to hate about the Walmart in-store shopping experience? Of course! There are many people who loathe Walmart stores and find that patronizing a Walmart store makes them feel like a lab rat navigating a gigantic maze. But millions of other people aren't bothered by the low-rent, industrial vibe of the big Walmart stores. They see the bare-bones presentation as proof that they're saving money, and going there as a sort of social event, where they see other people and can chat with the friendly Walmart greeters. This is the secret that Sam Walton knew: even if your store is just a big, ugly metal box, you can make up for it with customer service. As he said, "There is only one boss: the customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

Your Company's Reputation

Customers want to enjoy the shopping experience, however brief it may be. They want to feel as though they've made the best choice. They also want to feel good about *where* they're spending their money. When you're looking to build up lovepoints and minimize hatepoints, this component of the transaction is becoming increasingly important.

Customers like to identify with the brands they use. They know that every time they spend a dollar with a company, that dollar will be used to support the company and the full range of its activities. In today's socially aware culture, many consumers are keenly interested in the "backstory" of the company whose products they buy. They ask, "What are the company's labor policies? Where is their manufacturing done? Is the company socially responsible? Are the products made or harvested in a way that's sustainable?"

For example, consider the outdoor gear company Patagonia. As a socially responsible company, they've put into place a wide range of forward-thinking initiatives. They build robust environmental and animal welfare responsibility programs to guide how they make their materials and products, they've pledged 1 percent of sales to the preservation and restoration of the natural environment, and much more. Their products are also very high quality. As a result, Patagonia's customers love them a lot and hate them very little.

As we'll explore in the pages ahead, it can be difficult to determine what makes customers either love you or hate you. Sometimes, the issues you think will trigger a negative reaction from customers are instead met with just a shrug.

Take retail giant Amazon. As a purveyor of consumer goods, the company is trying its best to achieve the ideal, frictionless marketplace. To order a product, you go to their website, choose your item from the roughly 350 million available, and make a few clicks. In a regional Amazon fulfillment center, robots and human employees jump into action to "pick" your item, pack it, label it, and ship it. In many cases, you can have it in your hands the very same day.

Sounds good, doesn't it? Here's where it gets tricky. While Amazon has millions of customers who love the service it provides, it has many critics, particularly regarding how it has treated employees. In 2019, writer Emily Guendelsberger took a job at an Amazon fulfillment center (that is, warehouse) in Indiana. Echoing the reports of many Amazon workers, she wrote, "It took my body two weeks to adjust to the agony of walking 15 miles a day and doing hundreds of squats. But as the physical stress got more manageable, the mental stress of being held to the productivity standards of a robot became an even bigger problem." Indeed, the relentless drive for efficiency included the scan gun she used to do her job. The device doubled as her personal digital manager, precisely monitoring and timing every task. When she completed one task, the scan gun not only immediately gave her a new one but also started counting down the seconds she had remaining to do it. This and other intrusions by the scanner created "a constant buzz of low-grade panic," and the sheer boredom of the work left her feeling, in her words, "as if I were losing my mind. Imagine experiencing that month after month."[3]

Despite the negativity many consumers feel about Amazon as a company, the retailer keeps growing. For the fourth quarter ending December 31, 2020—the height of the COVID-19 pandemic—Amazon reported net sales of $125.56 billion, a 43.6 percent increase from $87.44 billion in the same quarter in 2019. It had added 175,000 employees in the fourth quarter and increased its fulfillment warehouse footprint by 50 percent compared to the same period in 2019.[4]

This acceptance of Amazon among people who are looking to buy something is the result of a relentlessly seamless shopping experience. Amazon remembers you and what you've bought in the past, makes it incredibly easy to find the product you want, and whisks you through the checkout process with just a few clicks. Because the customer experience has been scrubbed of anything the customer might hate, most people will say to themselves, "I need a certain product. Should I get in the car and drive to the store to buy it—and hope it's in stock—or spend one minute of my time, make a few clicks on Amazon, and have it delivered to my home tomorrow?"

It's fair to say that few people love Amazon. After all, there really isn't anything to love about it. The shopping experience is dry and matter-of-fact. People shop on Amazon because *there's nothing to hate about it. Amazon wins by being the least objectionable of the available choices.*

TAKE ACTION!

The most important action you can take right now is to repeat this mantra out loud: "Our customers judge our company, brand, or service not only on what they love about it but what they hate about it. We pledge to recognize this reality, and henceforth strive to both increase what they love and identify and decrease what they hate. This is the future of our organization."