



CUSTOMER EXPERIENCE INSIGHTS WITH LOU CARBONE TRANSCRIPT OF CONFERENCE CALL

Lou Carbone is the Founder, President and Chief Experience Officer of Experience Engineering, Inc., a total customer and employee experience management firm. He is also the author of Clued In: How to Keep Customers Coming Back Again and Again (Prentice-Hall, 2004). Carbone has spent more than two decades leading the world in the development of experience value management theory and practice in a broad range of industries including travel, healthcare, retail, technology, financial services, manufacturing, and education.

Phone Conversation Begins:

This whole area of customer experience and moving from customer satisfaction to customer experience is the realization of studies that we have done that showed that customer satisfaction scores didn't necessarily predict loyalty.

What became so fascinating is the depth and breadth of experience and that the experience we have is in total. We are going through an era from 30 years ago when I first starting writing about this space and developing tools and methodologies and perspectives and models. What has happened is that customer experience is the hottest thing going in almost every company. The last figure I saw is that 87% of companies plan to enrich or enhance their customer experience efforts (The Loyalty Effect). There are 3 levels where this customer experience world has resided....

There was an increasing thirst to get better metrics. Computer software companies started monitoring and scraping information from language, and social media, trying to get measurements of where customers are. That was the first level of the scorecard, because if we measure it, it will happen. The next level is organizations are realizing that there is a need to create distinctive experiences that are unique and engaging in an emotional and unconscious basis so that they become firms of endearment. If they went away tomorrow would I mourn the loss of them? Everybody wants to get there but only a handful have... Zappos and Disney, for years and years have been able to continue to create the experience that people are willing to pay for. Organizations are dabbling in this and they still aren't quite sure how to go about doing it. How do you get to unconscious framework? Then how do you apply that to design and execution of an experience? When a company is hiring a chief experience officer they generally are very vague because they don't even know what they want. They know it is important. The Temkin survey reported that 90% of companies said that beefing up their efforts in managing customer experience was their top priority. So, you'll hire a researcher as your customer experience officer and they come in and manage customer experience from a research perspective. You hire a marketing person and they look at it from a marketing perspective. Experience management is a whole new discipline that deals with unconscious clues and signals. It's more about how we cause our customers to feel than the old method - which is how we feel about our product or services. If we worry about how we make our customers feel that's what feeds the brand reputation. That's where the rubber meets the road.

We did both customer and employee experience at LaQuinta Inns. You can't have one without the other and that has been demonstrated time and again. With the employee experience at LaQuinta Inns we

expanded that understanding to what the company needed, unconsciously, to deliver the customer experience that was promised by the company and its brand. So, the reason we are experience engineering is that any experience can be engineered to create an emotional outcome that is binding so you have this feeling that this is where I want to be. I think I mentioned earlier, a book we are mentioned in that Dan Heath and Chip Heath just published called Power of the Moment, (and we are featured for work we did with John Deer on the first day of employment globally). That first day of employment on a global basis is the same with some regional modifications but by in-large there are certain essential things that take place on the first day. It created a very distinctive experience for that first day employee; to cut down on churn in India over 48% and across the globe somewhere around 30% in terms of longevity and staying with the company.

There were 13 clues that were embedded in that first day all the way from the first message received coming from the CEO to a memento that you get on the first day that was a replica of the first John Deer plow (miniature) but it has your start date on it. There's a whole theory of unconscious commitment. The Heaths wrote about that in the second chapter of The Power of the Moment.

In any experience, the key is no one really goes about it from an emotional framework and it's getting that employee engaged from an unconscious basis in the missions, the value, the purpose of the organization and the reason for being - but feeling it and actually experiencing the company's values and it creates a whole cycle. That's what a customer experience officer in an organization needs to understand where as most companies deal with this as just a single department. What is going to be required of chief experience officers going forward is going to be so different because it's built on a fusion of departments. Lean and customer service will be fused. HR departments and marketing will be fused. Restaurants and other service businesses in particular; HR and marketing are generally very separate yet the biggest marketing asset that you have is your people and they're not optimized. They are sub-optimized. There was a company that called me last week and asked how do I change the role of the chief administrative officer in a hospital to be more patient centric and think of them as a customer experience chief officer?

There are three things that have to happen in an organization. There's often a lot of discussion but not a lot of understanding of what a company means by customer experience. Yes, we do need you to do something, but we really don't know what to do or how important this is compared to product etc. There's a series of things companies should do – first, in the person that you hire you have to look for a jungle leader. That jungle leader would be someone that if I were lost in the jungle there is a person that rises that you have trust in and it's the experience they create, the way they carry themselves, the way they talk, etc. Someone would say, "I want to follow them. I want to learn from them. I respect them. My survival depends on them." You look for those characteristics in that individual. They need to be champions. They cannot be executors because otherwise you end up with what I see in about 8% of firms that I've worked with on trying to get to customer experience is what I would refer to as a wear out factor or a whining factor. You can find yourself in an organization where all the customer experience executive does is whine because no one understands the value of the work they do. Because the work they are doing is what they've always done and they are trying to justify it in new ways. So what becomes critical, and what we did for Lowes, for example, is a workshop for the top 50 executives and it's a clue scanning workshop. We took the senior executives into other retailers and had them clue scan and understand how the clues caused them to feel about themselves, which in turn is how they felt about the company. That's what fuels that unconscious perception. The CEO came back after we presented the clue scanning

results he said if one customer has that experience and is offended by unconscious clues that is one to many and made a decision to engage in the customer experience project.

Companies need to understand the difference between focus groups, the difference between a 1-on-1 interview and the difference between an interview that gets them unconscious constructs. Unconscious constructs are about getting inside the mind of the customer and walking through the maze of their mind vs. the process. We did this work with Progressive Auto Insurance that led to the instant response vehicles that show up to the scene of the accident; it led to Progressive giving pricing on not just their services but the competitor's services and how we worked the dialogue in communicating to customers effected emotion. It was similar to the emotional reciprocity in insurance that we did with Allstate.

I think that what becomes essential is adaptive enterprise. That is the ability for an organization to be agile and the company needs to build from the customer back vs the company offering out. For John Deere what became a clarifying issue was that John Deere is not in the business of building tractors, they are in the business of making people more productive, in sheltering people, clothing people, feeding people etc. That's a much higher purpose and mission and that's their reason for being. Often when we get into purpose driven organizations we tend to get locked into them. Neiman Marcus might say well we are retailers that feature luxury goods that are exclusive and fit a particular lifestyle. That's very limiting.

Companies need to recognize the difference between training and education. When you educate someone, that's very different because they feel it and they can see the difference and they can experience the difference...that's educating them vs. training them. I can train them to say this lace comes from a very special place in France but when they experience it and believe it, then the authenticity is there. We found that with Office Depot. We did work with Office Depot around areas that people had a real affinity for and knowledge. The passion that comes out from the employee when they are educated vs. just trained is huge. It happened with chairs and desks. Looking at desks the average employee had no knowledge what the wood was, what the drawers were, what the features and benefits were. When they were trained on chairs and leather, (I have a video of one of their employees talking about a desk, and he's bored talking about it because he's not comfortable, he's not fluent in the language of wood and leather). Once he was fluent and educated in chairs he said, "My gosh this genuine leather." "This is the finest leather because it's anodized and different from other leather. It is done with a vegetable die and that's why this will last longer and why the other chair is priced for less". Educating employees make for far better customer experiences.