



Total Performance Leadership Series – Discipline # 6: Customer Experience

The future belongs to those who harness the power of the customer experience, and who understand the lifetime value of a customer. Few retailers realize the lifetime value of a customer, which could be as high as \$500,000 in the case of a supermarket shopper who spends \$500 a week and lives in the area for twenty years, or \$2,250,000 in the case of a customer who buys a new Mercedes every other year for thirty years, or \$150,000 for an AT&T customer with full service for 20 years. I could go on, but you get the point. Losing a customer is very, very expensive; and yet the vast majority of leaders are so busy doing stuff that they just don't get it.

As Lou Carbone, the world's foremost expert on Experience Engineering puts it: "Today's organizations have become extremely vulnerable. By neglecting to consistently factor in customer expectations and preferences, they've essentially disenfranchised the customer from the determinations of value. They have abdicated their obligation to customers and to themselves. As a result, substantially all customers, except for a few who are loyal to a handful of companies who get it right, are free agents, up for grabs and waiting for someone who will deliver a total experience." Paying attention to the bottom line has never been more important, and yet most business leaders today fail to recognize the customer as a critically important asset, without which survival is impossible.

The premise is deceptively simple. Companies must reconnect, or in some cases, connect for the first time, with their customer. Creating value for customers by providing distinctive experiential value is not an insurmountable feat. Making money and having loyal customers are not mutually exclusive. Simply put, your mission, as it relates to customers, is to deliver an experience that is so memorable, that they keep coming back, and tell wonderful stories about you.

Consider a customer that moved to Tampa from San Antonio in 1992 and discovered an old set of cheap Malibu lights in the unpacking. Enamored with his new abode, he decided to install them, only to discover they didn't work. Not being a DIY guy, he called the local Home Depot and was immediately connected to a very pleasant and knowledgeable sales person in the lighting department. He described the problem. The sales person asked the man to bring the transformer in as he was relatively sure that was the problem. When the customer took the transformer to

the store, the salesperson took the transformer to the back room and quickly returned with a brand new one. He told the customer that his transformer had died, and that Malibu no longer made that model. He handed the customer the new transformer, assured him it would solve his problem, and sent him on his way. The customer was so tickled at this treatment, he's been telling the story every since. 26 years!

Consider another customer who stopped into a Pappasito's Mexican restaurant on I-35 in Austin one afternoon about at 3 o'clock one hot August afternoon. Starving to death and running behind to prep for his next meeting, he wanted something quick to eat. The waiter, who was exceptionally friendly, suggested nachos. When the customer finished and got ready to pay his bill, the waiter asked the customer how his nachos were. The customer replied that they were good, but they weren't very hot. Without hesitation, the server told the customer that there would be no charge. Despite the customer's best efforts to dissuade the server from comping the nachos, he was insistent that if they weren't perfect, they were free. That customer has told that story over and over since 1987!

Now let's consider a regular Neiman Marcus shopper that went to his store in 1997 to buy his wife a bottle of cologne for their tenth wedding anniversary. He asked if he could exchange the fragrance if his wife didn't like it. The sales person said "Not if she's opened it." The customer told the sales person that he was reasonably sure he could return or exchange the purchase at Nordstrom, even if it had been opened, to which the sales person replied, "Well, that's not our policy. The man went to Nordstrom, confirmed that he could exchange or return the fragrance if his wife didn't like it, bought the cologne and he's never been back to Neiman's again. Guess how many times he's told that story over the last twenty-one years?

Every time a customer engages with you, they have an experience and a story to tell. Now hear this. **Every time** they engage with you, they tell a story, and you determine the nature of the story, to whom it is directed, and in what tone. If the experience meets their expectations, they tell themselves. If it exceeds their expectations, they tell a friend or two. If it falls far short of their expectations, they tell their friends, their families, their dog sitter, and everyone else who'll listen. **Your job is to deliver an experience that is special, so that your customers tell great stories about you.** This is the very best and most effective advertising you can do. The good news is that most of your competition is so bad, that delivering a great customer experience is not that hard. While not hard, it must be deliberate. To deliver a consistent, cohesive, and compelling customer experience, it must be choreographed.

Systematically managing the whole customer experience represents an unprecedented and untapped source of competitive advantage. That is, unavoidably, every company's real value proposition.

Dr. Gerald Zaltman of the Harvard Business School's Mind of the Market Laboratory presents the case for Experience Engineering with mantra-like precision: "The tangible attributes of a product or service have far less influence on consumer preference than the unconscious sensory and emotional elements derived from the total experience."

Howard Schultz, CEO of Starbucks from 1986 – 2000, and again from 2008 – 2017, credits the Starbucks we know today to a housewares show he attended in Milan, Italy in 1983. He'd been with the company for about a year. For no particular reason, he wandered in to an espresso bar in Milan, and immediately began to register sensory data. Piece by piece, he took in a very different experience than he had ever experienced stateside. He noticed the way the food was handled, the way the products, like figs, were wrapped, packaged, and handed off to customers. He noticed the smells, the smiles and the warm, homey atmosphere, and custom accoutrements. Then he noticed the barista and how he took care of customers. He noticed the newspapers rustling and the grinders grinding, the milk steamers sizzling, and the sound of Italian opera playing in the background. He recognized that the Italians had turned coffee drinking in to a symphony for the senses- an experiential rapture. He returned to the United States with a passion to unlock the experiential romance and history of coffee and to explore the connections that could be developed between a business and its customers, using experience as the value proposition. The rest is history.

What Starbucks does, and what Disney, The Mayo Clinic, Harley Davidson, Nordstrom, Panera Bread, The Container Store, Wegmans, QuikTrip, and many others have learned to do, is what the winning business of the future will learn to do. As Lou says: *"The one-dimensional, accounting driven approach to managing value creation is a matter of "counting the wrong beans."*

Experience based value strategies can provide huge payback and can extend the life cycle of companies indefinitely. Crafting value around multidimensional, well integrated, and conspicuously managed experiences will challenge you to connect to the unconscious emotional passions of your customer and will help you discover how to differentiate yourself from competitors in ways that are difficult or impossible to copy or commoditize.

The best supermarket operators in the world are very much about experiential clues, starting with what you see when you approach the store; curb appeal, the scenery, clean windows, neat cart racks, the security patrol, and more. When you enter the store, the smiles you see, the scents you smell, the displays of fresh produce, flowers, meat, seafood, and bakery items have all been choreographed. In the best operations, you'll also experience remarkable consistency in human interaction. You'll be greeted with a smile, asked if you'd prefer paper or plastic bags, asked if you found everything you were looking for, if you have any coupons, and thanked when leaving the check stand. Nothing is left to chance.

Great service companies also think of customer complaints as a gift. *Unhappy customers who don't complain, leave!* A great experience does not require perfection, as even the best of us are human. The key is understanding that a customer who has had a problem and had her issue successfully resolved, is more loyal than she was before the problem occurred! Learn to appreciate customer complaints and choreograph the response in such a fashion that it leaves nothing to chance. Feargal Quinn, who wrote the book *Crowning the Customer*, built a supermarket chain with the highest sales per square foot of any food retailer in Europe. He taught his associates to listen carefully, thank customers for their comments, apologize, never offer excuses, promise a fix, and ask the customer what they could do to make things right; then, go a little step beyond. He taught his people to bring his customers back, one more time. Feargal understood the power of experience and the lifetime value of a customer.

Please note there is a very distinct difference between your brand and the customer experience. Your brand has to do with how your customer feels about your company. Customer experience has to do with how your customer feels about him or herself while interacting with you. In future posts, we will also explore employee experience engineering and the profound effects they can have.

Stay tuned for the next post on Customer Experience and join the Total Performance Leadership dialogue!

Rob Andrews of Allen Austin with contribution from Lou Carbone of Experience Engineering