Customer challenged

CEOs universally wish to know what customers are experiencing and what they make of their experiences, says Khaled Choudhury. Often, they don’t have a clue. Is this because most businesses haven’t looked outside for competent market researchers or the best customer relationship management software? Actually, it’s more basic than that. There are six common barriers that must be overcome – and they are all inside the company.

Customer-service axioms are common in companies, as prevalent in the boardroom as in marketing, driven by the belief that their repetition engrains healthy customer orientation in the business. This belief is largely delusory, since there is commonly a large gap between business leaders’ aspirations for customer service and the reality of their customers’ experiences.

Indeed, for all the proclaimed efforts of businesses to put customers first, most companies fail to delight most of their customers most of the time. This means there are still big prizes for companies that can deliver a customer-experience edge. Finding that edge, however, requires significant investment in acquiring, interpreting and acting upon customer insights. Most executive airtime in addressing this opportunity is given to discussing which customer relationship management (CRM) tools best fit the bill in the hope that knowledge technology will provide the answers. I believe that the most ground can be gained not by using technology but by addressing internal barriers that hinder the acquisition of customer insight.

Business leaders are routinely misled into thinking that they are serving their customers as well as possible. I commonly see six barriers to clear thinking that make the deception systemic in some organizations: unrepresentative front-line experience, stage-managed customer contact, employee discounts that corrupt perception of value for money, the low-price/low-expectation fallacy, CRM hype and poor research.

Barrier #1
Unrepresentative front-line experience There is nothing like real front-line experience; and, as they often say on the front line, when a “suit” comes down from the executive offices, what he usually sees is nothing like real front-line experience.

I once had the privilege of witnessing an airline general manager hefting baggage. From a customer perspective, it was a wondrous thing to see a person of such seniority getting down and dirty with a basic operational chore. From an executive perspective, his efforts developed his understanding of issues in the operational processes and built a degree of industrial relations credibility, but the experience offered little insight into everyday customer experience – partly, of course, because he didn’t see customers, but mostly because his experience was unrepresentative. He was in the baggage hall at a moment of crisis when all around him the operation was going pear-shaped.

This lack of representativeness is what characterizes most executive forays into the front line and what constitutes their central failing in terms of understanding customers’ experiences. It becomes easy for a leadership tone to be set that says, “We don’t need to see it directly to know..."
what goes on”. In the same airline, for example, the only time senior managers had front-line contact – customer-facing or not – was during industrial action, when some stepped into front-line roles. Under these circumstances, the environment was characterized by an all-hands-on-deck team spirit, applied to survive the prevailing crisis. Not only are the practices under these conditions unrepresentative; but, more significantly, the experience typically masks a culture that, in this company, was pervasive under normal operating conditions.

**Barrier #2**

**Stage-managed customer contact** There are, of course, business leaders who take pride in the occasional “walking of the floor” with customers; and, as Patrick Barwise and Sean Meehan have noted in *Simply Better: Winning and Keeping Customers by Delivering What Matters Most* (Harvard Business School Press, 2004), this is a marginal improvement over those leaders who delude themselves that they know their customers on the basis of entertainment events. Typically, even these interactions provide far-from-reliable witness of genuine customers’ interaction with the business’s products or services, as these events are routinely stage-managed – generally by well-meaning managers for mixed reasons. One reason is the slightly perverse view that even though CEOs say they want to see the operation, they actually expect or deserve red-carpet treatment. More often, the chances of getting a representative view are low, either because of limited time spent on the floor or, typically, as a result of being shielded from issues by managers masking poor operational standards. Also common is stage-management of the event as an exercise of public relations to show how “in touch” the leader is with the customer.

Useful customer contact need not be face-to-face or focused on sales transactions. In the early 1990s, I worked with a global office furniture manufacturer that claimed to have upped its production quality standards by orders of magnitude by rotating the manufacturing staff and the design team through the customer support call centre. Not only did they learn the issues customers presented, but they also endured the barrage of complaints. That experience led to improvements in both manufacturing and design for manufacturability.

Even witnessing customer interaction is no proxy for the experience of being a customer. Few CEOs use their own service, as delivered, unmediated by senior managers or assistants. Fewer still experience the non-premium services. How often does the CEO of a global telecoms company have to wait on hold for 45 minutes to get supposedly first-line support from one of its broadband subsidiaries? I have not come across any airline in which even junior managers travel in the back; but at Eurostar, for example, every manager travelling must make at least one part of the journey in economy class.

In fact, in the more than 50 blue-chip organizations my colleagues and I have worked with over the last 15 years, we have found only two business leaders committed to experiencing their products as delivered: one in a global alcoholic beverages conglomerate and another a health care provider.

**Barrier #3**

**Employee discounts that corrupt perception of value for money** If few leaders experience their product or service as delivered, fewer still pay for it at the same price that customers do. This is by far the most significant barrier to gaining useful customer insight. You don’t experience the value proposition without both sides of the value exchange. The implications for misperception of what matters to customers are profound. Business leaders are routinely told that the thresholds of expectation customers have about value for money are commensurate with their disposable income – a compelling logic, which is rarely true.

The operational culture in some businesses can become desensitized about the absolute prices of their services as the relative features of products or sub-brands become encoded in the language of their business (“standard customers get x, premium customers get x + y” and so on). Employees of an airline can become blasé about the staggering cost of business-class travel, for example.

In adopting a policy of employee discounts, a balance must clearly be struck in keeping staff motivated and up-to-date with products. Witnessing inventory wasted rather than made available to them can breed staff resentment that is as damaging to customer experience as a corrupted view of value for money.

Employee discounts corrupting perception of value for money raises interesting questions about the very role of staff benefits or perks. Clearly,
employees deserve to be treated well, and there is a lot to like about providing a perk that has a low operational cost but a seemingly high value, especially when there is an opportunity to get marginal contribution to distressed inventory. Hence heavy discounts on discontinued product lines, end-of-line perishable goods and standby airline seats.

However, if the effect is to desensitize staff about value for money, there is an argument that such perks should not be offered. How then to reward staff commitment to the business?

One solution might be to swap perks with other companies with similar values and scale but with completely different products and services. In principle, a car rental company's employees could get discounted supermarket goods, for example, and the supermarket employees get cheap car rental.

In practice, given the differing respective values in perks on offer, a system may need to be set up that pools perks across a number of businesses and sectors and operates as a sort of perks-hub (you heard it here first).

**Barrier #4**
**The low price, low-expectation fallacy** When the price point is low relative to the spending ability of the customer, it is seductive to assume that customers' expectations for the experience are equally low, but this does not hold true. Low-cost or “no frills” brands provide rich examples. Many of these brands' marketing communications propagate them as consumer champions, releasing customers from price barriers.

Low price alone, however, is no proxy for customer orientation. Customers buying in these categories expect value for money, irrespective of their relative ability to afford the product or service. The value for money from the customer point of view can soon be diminished by other customer experiences, such as having to wade through a dozen pages of an online car-hire booking process in order for the company to ensure the customer is an acceptable insurance risk. In this example, the customer is not merely sacrificing frills for economy. He is also experiencing a higher cost of doing business with the company compared with its mainstream competitors – measured in terms of both time and effort – as well as undergoing a depth of probing so early in the buying process. The price may be disposable, but the experience isn't.

The low-price, low-expectation fallacy also ignores aggregate buying behaviour. Customers may choose a low-priced product one day and a premium, higher-priced product the next. Similarly, they may buy your low-priced product but another company's premium product.

**Barrier #5**
**CRM hype** For all its claims about providing customer intimacy, loyalty, and customer experience insight, customer relationship management remains more about mining customer data for marketing opportunity than it does about relationships.

Whereas most large companies – as profit-making entities – tend to value relationships in terms of ongoing transactions and revenue, customers – as human beings – tend to value relationships on what it feels like to interact with the other party.

It is CRM’s failure to deal effectively with the richness of context in relationships that so far limits its value as a source of genuine insight into what motivates, satisfies or frustrates customers. You can’t tell, for example, from Web transaction data whether the sale was motivated by excitement or by a reluctant acceptance of the best of a bad bunch of offerings.

In recent years, of course, CRM systems have allowed for the (largely manual) collection of non-transactional data. In contact systems this is usually limited to notes about the customer or a perceived satisfaction rating scale. The value of such functions, however, is often hobbled by policies that encourage contact centre staff to rid themselves of customers as fast as possible, thereby creating strong disincentives to spend the time necessary to do justice to the context of a customer’s interaction. Hence an explanation of why a customer is frustrated or needs help is reduced to a statement akin to “customer not happy”.

While the next person dealing with the customer could at least acknowledge the customer’s dissatisfaction (presupposing an investment in staff to motivate them to find previously held information and then to use it empathically), such information tells the business very little about what can be done to avoid future dissatisfaction.

So, while computer-assisted efforts to prompt presentation of a caring business are a compelling notion and worthy aim, until their specification...
and the regimes under which they are used allow for capture of customers’ goals and context, they will deliver little more than their original marketing database function.

Barrier #6
Poor research There is a prevalence of market research that is poorly designed, executed and reported that biases insights towards the expectations of those commissioning it.

A modern disease among senior executives is a reticence to admit that they have anything to learn or that they’re surprised by anything. This trait displayed in marketing departments should be a major cause for concern. It yields market research telling you exactly what you expect – satisfying but useless information that merely allows you to disregard what you really need to find out.

The days of clumsily stepping out from behind the one-way mirror, unable to resist intervening, may be over; but consistent flaws still confound the full research cycle, from:

**Skewing the audience to fit the results**
The first, and often most fatal, way to skew would-be insights is to skew the researched audience. There is an overemphasis on segmenting research audiences by commercial value to the business rather than by detailed competitive levers such as elements of customer experience and loyalty. If you want to know about the value of train punctuality, for example, you would do better to segment by those delayed versus those not delayed, rather than by ticket price bands alone.

There is also a tendency to recruit only those you would like to think are your typical customers, rather than those who actually are. I witnessed a turnaround in a European supermarket’s marketing of organic produce when they finally learned that their audience was more politically motivated than health-conscious.

**Focusing on new product features**
The second facet of anodine customer research is a bias towards new product features, on which customer feedback is normally sought. When brand values are strongly embedded, marketing executives avoid risking customer research that might challenge their validity. Hence, there is a widely held belief that research budgets are best spent on focus groups centring on the likely uptake of new product features, rather than on what is necessary to fix micro issues in the prevailing customer experience. It is no wonder then that the data suggest that customers consider new product features more significant than anything else, given that the majority of data available concerns only the exciting new product, not the extent to which businesses deliver on their brand values in the customer experience.

The vast majority of research still focuses on product and service features and propensity to buy. In our airline example, that might be something like “Could free refreshments dispensed in the check-in queue protect business traveller loyalty?” Equally significant but far less frequently examined are, first, the role the product or service plays in support of the consumer’s goals and, second, the experience the user is subjected to, by design (active or passive), in obtaining the product or service. Real insight in our example would lie in examining the difference between “How can the customer get value from us while she’s in the queue?” and “How can we eliminate queuing altogether?”

Customer service issues often don’t make it into the research agenda because of (false) assumptions that they are generic and that everybody knows how they can be overcome. When research is commissioned for customer satisfaction, the challenge to avoid the merely narcissistic is rarely taken up. Few organizations operate a learning environment in which customer satisfaction research is viewed as an opportunity greater than simply managing the performance of the customer-facing functions and the consequent incentives of the staff involved.

The learning opportunity here is in understanding satisfaction differentiators relative to the next best alternative, not merely relative to how the business has previously performed. The satisfaction variables to work on are those that are not merely seen as givens by the customer. Of course, a hotel room should be clean and, of course, the cleaning performance should be managed; but including cleanliness-to-satisfaction questions in a customer satisfaction survey is nothing more than an outsourcing of performance monitoring effort (and a cost to the customer). You will learn nothing about

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what customers value from this sort of enquiry, but you will have used up a valuable proportion of your customers' capacity to provide you with useful feedback.

Similar problems are common when quantitative research is not mediated, when customers themselves provide it through surveys. A poorly designed survey is now much easier for the unskilled to construct and deploy via a simple Web-based system, and its effects on misidentification of insights are profound. It can completely mask customers' genuine feelings about product and service quality. It was no surprise, for example, that all customers of a national supermarket chain I worked with were "satisfied" with check-out queues, given that the scale of possible responses ranged from "satisfied" to "delighted".

Another common failing of online questionnaires is that, in most cases, they cannot be submitted partially completed. This allows researchers and marketers to present a spectrum of data that appear healthily balanced in circumstances in which, in fact, the few significant topics customers feel strongly about lose their salience.

The example below shows consumer research carried out on behalf of Skype, the declared intention being to learn something about new features introduced. Given the responses available in most of the questions, Skype would have taken only positive messages from the research it commissioned. The first two questions in the example allow customers to respond only positively about the new features in the new product. The third question does allow users to indicate whether they found a function difficult to use but not whether they found it useful.

The integration of Paypal and other increasingly complex functionality are probably necessary for eBay to recoup its investment in Skype and thus place genuine strategic significance into gaining sound insight into customer needs.

Even though this research was undoubtedly in pursuit of Skype's declared ethos of putting callers at the heart of how the company thinks, its poor execution actually obstructed genuine learning about what customers value. If not understood properly, implementation of added-on functions dilutes the central customer proposition and reasons for staying with Skype, not only challenging the company's vision but also seriously undermining the loyalty of the subscriber base.

**Filtering results**

Unskilled filtering is a third way to undermine the value of market research and customer feedback. I have lost count of the times I have witnessed research companies taking sound bites out of context because they provided the most colour among otherwise bland focus group results.

Perhaps less deliberate is the unskilled filtering that is common in reporting customer feedback. In its spontaneous form, it could be thought of as a cost-effective means of identifying customer views (the customer initiates it), and the unmediated directness is appealing to many business leaders who aspire to hear the voice of the customer. What they receive, however, is regularly purified by intermediary staff who choose to disregard much of what they hear from customers, especially complaints.

The filtering happens, in part, because of a fear of management reprisal. Regular candidates for the discard pile include issues concerning details so small they are seemingly not cost-effective to address or issues that arise too infrequently to be considered representative. Others are disregarded as too esoteric or because they are insulting, typically written-off as hysterical rants that must have been provoked by a hidden agenda or personality flaw. That agenda might just be to want your business to be better at meeting a legitimate customer need.

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In fact, customers who complain may be your most loyal. The effort they make to articulate their complaints could be viewed as an indication of their commitment to your business if the complaint is nicely addressed; and even crudeness can be viewed as an indication of strength of feeling, however seemingly inappropriate. The discipline is in assessing the underlying validity of the complaint as objectively as possible. The real challenge is to disregard whether or not the complaint is fair or elegantly made and to try to understand what can be learned or gained from it. It could provoke product innovation. Addressing it could be a competitive differentiator. It takes courage and effort to look at complaints objectively, because such feedback often arouses indignation and, at its worst, is downright offensive.

The existence of customer complaints policy, once seen as innovative, is in practice often a barrier in itself. Forcing customers to comply with a specific procedure or format constitutes a cost to them, which many will feel outweighs the likely benefit of complaining. Consider objectively the absurdity of the message that a rigid procedure for making a complaint gives: we have so many complaints that we need to enter yours on our database just to be able to find it again.

How should a customer feel about being asked to “put that in writing”, when they’ve already been informed that their call is being recorded? The common retort is that such procedures are designed to maximize the efficiency with which complaints are processed, in accordance with the customer expectation of speedy resolution. The trouble is that the efficiency is one-sided, to the benefit only of the business, since the customers are bearing the screening and sorting costs of having to express their issues within the prescribed format.

Pseudo insight
Unfortunately, the behavioural research industry provides many opportunities for false or unreliable insight. A compelling but misleading new source of pseudo-insight comes from the increasingly fashionable deployment of researchers who call themselves ethnographers, despite doing little more than following people around with video cameras. They claim to present deep insights based on lengthy observation of their subjects and, indeed, often deliver morbidly fascinating snippets into the lives of a handful of customers – much like reality TV. Unfortunately, just like reality TV, what is presented is far from reality given the many confounding factors that invalidate most of the findings. Among them: too few subjects to be representative (two to four is typical), the intrinsically unrepresentative behaviour of subjects who are willing to put up with the level of intrusion (would you?), and the unrepresentative behaviour they display for the benefit of the camera and the person behind it.

Notwithstanding the frequent but unreliable claims by researchers that the subjects soon forgot the camera was there, significant cash incentives sometimes make all the difference. I’ve interviewed participants who have said following the research that they felt their researchers deserved value for money.

False insight can also result when designers have difficulty in recognizing that their own characteristics, experience, knowledge and prejudices are unrepresentative of the target audience, since they are, in a manner of speaking, experts. The first incarnation of the classic Austin Mini was almost un-driveable without extension stalks on the switches because its designer, Sir Alec Issigonis, had extraordinarily long arms. Similarly, the first few incarnations of the UK’s online grocery shopping experience were characterized by the database engineers who designed it. Potential Sainsbury’s customers were confronted with the need to download the database of inventory before picking from it and then uploading their orders. It was impossible to do business with either site unless one was prepared to remember and be identified by an arbitrarily allocated customer number – an obvious concept for a database engineer but completely valueless to customers.

Such mistakes are expensive but can be avoided by applying a bit of scientific rigour in understanding the breadth and depth of characteristics of the customer audience. However, that rigour is proportionally small among those who will have something to say about your business’s customer experience.

The customer experience design market is characterized by enthusiasm rather than qualification. A plethora of poorly qualified “usability specialists” and “customer experience designers” emerged in the wake of works such as Jakob Nielsen’s Designing Web Usability: The Practice of Simplicity (Peachpit Press, 2000). An unfortunate side effect of making the science
mainstream is the proliferation of wannabe Nielsens who, equipped with little more than the seductive simplicity of the guru’s message, will happily critique your website for a fee but lack the qualifications, experience and heuristic judgement of those they attempt to emulate. The results are often unspectacular, which can be harmful in at least two ways.

First, the return on investment is not made obvious: “We hired those usability guys and they smartened up the site, but I can’t say we’ve had a whole bunch of new customers as a result.”

Second, it gives false reassurance that as much as possible has been done: “They fixed a few things – that were kind of obvious really – nothing we couldn’t have done ourselves.” As an experienced ergonomist once said, “If ergonomic design was just common sense, it would be common.”

Scientific rigour is even more important in testing the customer experience. Here, it is extremely valuable to test not merely customer opinion but also how easy it is for customers to do business with you. Market testing asks “Do our customers like it enough to buy it?” Customer experience testing should ask “How easy is it for our customers to do business with us – using the processes, channels and interfaces that we make available to them?”

While the former is a test of preference, the latter is a performance test of the effectiveness, efficiency and satisfaction with which customers can achieve their goals with your business versus a competitor.

Some businesses, Amazon and Orange among them, understand that such testing warrants more investment than the usual “mystery shopper” sample and have built internal competence; but doing it properly is expensive and laborious, which is why most businesses satisfy themselves with the more direct and colourful testimonials that focus groups deliver.

Acquiring representative and useable customer insight is invaluable to almost any business. Doing it properly, however, is expensive and requires skill and motivation. The businesses most successfully connecting the gap between the CEO and customer are those whose leaders do the following:

1. Visit the front line frequently, not just in crisis, unmanaged by intermediaries (to gain representative staff experience).
2. Use their own company’s services frequently and undertake the transaction personally (to gain representative customer experience).
3. Pay full price for their company’s products and services (to avoid desensitization to value for money).
4. Invest in staff morale and reward without using product discounts as perks (to avoid their desensitization to value for money).
5. Invest as much in research about customer experience with existing products and services as for testing ideas about new products (to preserve an up-to-date view of the extent to which the brand value is being delivered to the customer).
6. Set expectations for scientific rigour in customer research, using experienced, qualified professionals (to ensure insights presented are representative and worth acting upon).
7. Don’t believe the CRM hype: it (so far) lacks the necessary richness about the context in which customers interact with a business. Invest as heavily in human beings to interpret and use the CRM data as you do in the CRM systems solution itself.
8. Don’t ask customers to follow a complaints procedure; take whatever they throw at you, whenever and however they throw it.
9. Seek insights from unfiltered complaints. Seek evidence of service improvements derived from specific complaints.

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