Customer first thinking.

Transforming the Customer Experience

An Interview with Jon Picoult, Founder and Principal, Watermark Consulting

Jon Picoult:

Jon Picoult is a renowned expert on customer experience and the author of "From Impressed to Obsessed: 12 Principles for Turning Customers and Employees into Lifelong Fans".

You would think by now that just about every company would have accepted the necessity to deliver an exceptional customer experience.

Apparently not, according to Forrester Research.

Forrester's latest Customer Experience Survey found that CX quality has fallen for an "unprecedented" third year in a row. In fact, average CX quality has dropped to its lowest point since 2016. "US consumers are having, on average, the worst experiences in a decade," explained Rick Parrish, VP and research director at Forrester. "Brands want to create better experiences", he said, "and they realize that putting the customer at the center of their business is the way to do it. However, organizations struggle with the scale of change that this requires."

Forrester also conducts Net Promoter Score rankings for 100 brands in Canada and the most recently published report mirrored the CX findings: the NPS score dropped or remained the same for all industries last year. In commenting on the NPS results, Parrish stated what every consumer already knows: "In Canada, brands

are struggling to provide effective, easy, and emotionally positive experiences for customers". He went on to say: "When brands put customers at the center of their leadership, strategy, and operations, they enable stronger customer loyalty – which in turn drives revenue, profitability, and business resilience, even in uncertain times."

All too true. Strangely, that linkage between loyalty and profitability seems to have escaped the notice of most CEOs.

Treating people with respect – showing appreciation for their business – making their lives easier, more productive, more rewarding – minimizing their level of effort – being a company that cares as much about customers after the sale as before - all of that goes a long way to securing greater brand loyalty. Yet most companies get a failing grade when evaluated against those basic principles. It seems companies are headed in the opposite direction, prioritizing profits over people. Customer service is seen as a cost – which explains the rush to adopt AI-powered chatbots meant to take over from live agents. It also explains why it can be so hard to find a phone number to call if you have a question or complaint.

Today more than ever customers are feeling shafted, exploited, taken for granted. And their simmering resentment over complaint handling is spilling over into angry confrontations with front line workers, according to the 2023 U.S. National Customer Rage Survey. The report observes: "The incidence and public displays of customer rage are commonplace, on the increase and can be scary."

Corporate mistreatment of customers is baffling when you consider that repeat buyers almost always account for a disproportionate share of total sales and are the only sustainable source of recurring revenue. As long as the experience a brand offers is indistinguishable from competitors, it is substitutable, and doomed to compete on price.

Marketing has to shoulder some of the blame for this corporate apathy toward CX, too busy chasing market share to give much thought to expanding "share of heart". Certainly most CMOs appreciate the importance of delivering something other than a "me-too" experience even if company leadership does not. It's just that most marketers struggle to be seen as "serious people" capable of serving as change agents, even though their job is to make an emotional connection with people. And according to renowned CX expert Jon Picoult, the transformation of customer experience starts with understanding how people feel.

To create genuinely loyal customers – emotionally committed customers who love the brand, who will go out of their way to buy it, who are true fans, who are quick to forgive and to recommend – Picoult believes it is essential to deliver a more "memorable experience". In his book "From Impressed to Obsessed" he offers 12 principles for turning customers into "lifelong fans", derived in part from insights into how the mind works from the field of cognitive science where he gained his university degree.

I started by asking Jon what drew him to the field of cognitive science.

Jon Picoult (JP): I started off in college as a computer science major, and I was always into computers when I was young and middle school and high school, and that was just kind of the natural path for me. Then I hit discrete mathematics. That was the first required mathematics course that I had to take in college, required for the comp sci major. And I was just like, this is not working for me. I like to program, but the discrete mathematics, I said to myself, I can't do this.

And so, the thing that I had actually always been interested in when I was working with computers early on was getting computers to mimic human thought and this is going to sound like, I mean, these days with AI washing and what not, everybody would be like, well, duh, we've done that. But this was 25 or 30 years ago, and AI had been, people have been promising AI for years, decades.

And what I ended up doing was actually constructing what was called an independent major because there wasn't a major for this area of study where I went to school. And so the major that I assembled basically took pieces of comp sci, linguistics and psychology. And so my focus was actually on understanding how the human mind interprets language and then getting computers to replicate that. And

you know, it sounds kind of has been now, right, in today's day and age. But it was really interesting at the time. And I do have to admit to you, I never expected that I would use my cognitive science degree and that schooling in the way that I have. Because as you know, it's sort of central to my philosophy, the notion of how you sculpt memories and customer experiences. So, yeah, that was a surprise to me. And I guess a lesson for all, you never know where stuff is going to lead you.

Stephen Shaw (SS): Exactly. Well, and there's plenty of examples in the book. We're going to get to some of that a little later on. So the other thing I want to ask you is you went to work in financial services for what, 15 years or so?

Yeah.

And then you left to start your own consulting business, which I'm always interested in. People sort of diving off the cliff and deciding they're going to take off on their own. But you chose customer experience as the focus. And I'm just curious, what made you decide to focus on CX as a discipline?

Yes. So I cut my teeth in customer service. Okay, which … and I draw, and I distinguish that from customer experience. But my first management role was in customer service, and then the subsequent leadership roles that I had started to get broader than that.

So from the earliest days of my corporate career, I was sort of introduced to customer service. Also, if we take a step back, my first entree into business was actually selling radio advertisements door to door, back when I was in college, and I wanted to be a DJ on the radio station. And they basically said, well, if you want anything other than the graveyard shift, you need to sell ads. Because the station was actually a commercial station. It didn't receive any financial support from the University. And I found out I was very good at it and actually became sales director of the station.

And where this ties in is, I came to realize that experience helped me to understand all of the different interactions and touchpoints, some of them very subtle, that really influenced a sales prospect's likelihood to do business with you, as well as an existing customer's likelihood to continue doing business with you. So I kind of got a little customer experience there.

Then later on in my financial services career, again, not something I was trying to do strategically, but I ended up, at various points, leading not just customer service, but also marketing, operations, distribution, sales, and even IT, at one point. What I found was unique about that experience was that I had an opportunity to see how the customer experience was being engineered and delivered from several different perspectives. And as I'm sure you know, in your experience, working in this space, where many companies go wrong, is they don't realize that each functional silo is kind of working at cross purposes and is not coalescing around a common vision of the experience.

When I realized, like, gosh, I've sat in the shoes of the head of IT, of the head of marketing, of the head of sales, of the head of service, it started to dawn on me. That's kind of a unique, that's a unique set of credentials. And I had always thought about starting my own consultancy. And when I decided to do it, I thought, well, you know, customer experience was something I was passionate about, always interested in. But beyond that, I felt I had some credibility, having walked in the shoes of all of those different functional leaders. So that's kind of the story of how I got to where I am. [10.13]

SS And you've been at it for a while. When you started down that path was there a groundswell starting to form around CX? It seems to me those were early days.

JP Yeah, those were early days. You know, the term, I actually don't even remember if the abbreviation CX, if that was commonplace back then. Certainly "The Experience Economy", the classic book by Joe Pine, had been written. And so that certainly laid the groundwork for the notion of not just products and not just services, but experiences.

But, yeah, it was early, and it certainly was a less crowded marketplace, I will tell you that. You know, I do feel like, CX consultants are a bit dime a dozen these days because their ranks have swelled. So, yes, that was in the early days where certainly back then, you said customer experience to someone and what they heard was customer service. You know, and even today, I find that as a challenge with many organizations. But back then, that was just standard, you know, standard response.

SS Which is what I was going to ask you, because I wondered whether today you're preaching to the converted - to your point that CX has become a bit of a cottage industry, largely because it's at the top of most corporate agendas. So do you find yourself preaching to the converted or are you still trying to convince companies to be more customer-focused or customer-obsessed, perhaps is the right word.

JP Yeah, I would definitely say the latter. I feel like, it is still unusual to come across a C-suite that views customer experience as more than just the initiative de jour, or as more than just good annual report copy. I think that many CX efforts are corporate window dressing. You know, people won't, of course, say that to you, but it's a box to be checked. And so I absolutely believe that there is still a lot of missionary work to be done for senior leaders to really understand not just the value and the ROI of customer experience, but also just what the term means. And the notion that it is fundamentally different from customer service. The notion that the head of legal, the head of IT, the head of marketing, the head of sales are all people who should be keenly interested in customer experience, not just the head of customer service. So, yeah, I still think that there are a lot of people out there who aren't quite on the bus yet, even though they might say that they are.

SS Yeah, it's interesting. We have a flagship client, large chemical company, that had just started down this path of becoming more customer-centric. So they're obviously trying to take a systematic approach to all the things you were just talking about. The siloed nature of the organization makes it a challenge to unify people's viewpoints around, to your point, what does that really mean?

We're going to get into the heart of that conversation shortly, but it's coincidental that today I sort of open up the paper, the Wall Street Journal, and what's one of the major articles, Forrester Research just - I'm sure you saw it - just announced in its annual assessment of the quality of CX, has hit a new low. So third year in a row, it's declined. What do you think are the main factors in this trend? You'd think things would be getting better, not worse. You'd think they'd certainly be aware of there's a lot of financial evidence to support being a leader in CX versus being a laggard. What do you make of this?

JP Well, let's take a step back first, because I too opened up my Wall Street Journal and saw that article this morning. And there was a graphic in it that showed the nine year trend of

Forrester's Customer Experience Index. And I looked at it, Stephen, and I said to myself, I've seen that graph before, but it looked a little different. And so I went hunting. And indeed, I had seen that graphic before. And it was from the American Customer Satisfaction Index, the ACSI, which, like the Forrester Index, is a widely cited study, that people use to track the trend of customer experience in the marketplace.

And I posted on LinkedIn, actually, this morning, what I found, because interestingly, if you look at those two graphics for the same nine year period, they are mirror images of one another. The Forrester Index, as you note, says that this customer experience has never been worse. It's been declining for four years, and it's the lowest, I think, you know, at least in the nine years that they presented.

The ACSI says the exact opposite. I mean, I was shocked. It was truly a mirror image. And the ACSI says customer satisfaction is the highest that it's been since we've been tracking it. And I wrote this LinkedIn post because a lot of customer experience professionals grouse, I think, about how the discipline is not taken seriously. And I thought, this is Exhibit A in why the discipline isn't taken seriously, because the casual observer looks at this and basically says, you guys don't have a clue what you're doing. You know, I mean, is it an all time high or is it an all time low? It depends what study you're citing.

So sorry to go off on the rant there, but that was something I was very intrigued about was just the mirror image reflection of those two findings, which, I mean, we won't dive into that here. I think that there are a variety of potential explanations for it. But suffice it to say, it's not a good look for the CX industry to have those out there, those competing things.

Now, my personal opinion is I do not think that customer experience quality is at an all time high. Is it where Forrester says it is? You know, maybe it's somewhere in between them and ACSI. And to your question, why is that? I think the issue is, I mean, we could, of course, go through the well-worn, pandemic impacts of, you know, businesses had a pullback. People sort of got used to worse quality of experience and what not. But then the pandemic sort of was in the rearview mirror. Companies didn't catch up fast enough. People were dissatisfied. And I think that is still accurate to some degree.

But I think fundamentally, the issue is that there are two strategies that I think companies can take in this space. You know, one is you either focus on maximizing loyalty or you focus on minimizing attrition. And those are two very different strategies. Maximizing loyalty is about really trying to figure out how do I enrich the lives of my customers and how do I create that emotional connection? How, you know, in my nomenclature, how do I turn them from impressed to obsessed, or at least satisfied to impress to begin with.

But then that whole body of firms, where it gets back to is this corporate window dressing is a good annual report copy. I think that what they're doing, what they're asking themselves is, what's the minimum amount that we can do that will keep people from leaving us. And that's the very different strategy. That's the approach of focusing on minimizing attrition. And that's a different animal. And I think that you might financially think that that's working. You know, if you look at your retention numbers, if you look at your financials, you might say, okay, we're treading the line just right. We're striking the right balance.

But I think that's short-sighted. I think there are many examples of companies, you know, in the annals of corporate history that focused on minimizing attrition, and then didn't realize until it was too late that somebody came forward and disrupted their business, figured out a better way to serve customers, and ate their lunch as a result. So it might deliver short term profits, but I don't think it's a long term solution.

But that's why I feel I think overall that customer experience is not improving, across the board. I think there are pockets of companies that do it exceedingly well. But I think it's because the leaders of these companies, they're not interested in maximizing loyalty, they're interested in minimizing attrition. And I think that shows in the experience that's ultimately delivered. [18.50]

SS Or they view customer service as a cost, not an investment in the relationship. And that became blaringly clear in a New York Times article on Amazon just this past week on the evisceration of their customer service agents and the clear direction they're going in is to automate as much of this as possible to take cost out of the business. And this is a business that claims to be, you know, held out there as an example of customer obsession.

JP Yeah. And I have to plead, I did not see that article, though I know that there's a lot written about Amazon and some of it is very good and some of it is very bad. You know, I would tell you that I am still a fan of Amazon looking at the long arc of history, you know, I like to, when I talk about legends and customer experience, every legend goes through rough patches. But when you look at the long arc of history, I'm looking for those companies that have really distinguished themselves, in customer experience and have become loyalty leaders.

One thing I would say about Amazon and again, I haven't read that Times article and I'm sure that there's a lot of truth to it. But one thing that I would have to say about Amazon that I give them credit for is that they look for ways to make the experience not only more pleasant, but also more efficient. And a key way of doing that, of course, is automating things. And as you know, if we can get somebody to solve their problem without having to talk to a live rep, that's gonna be our preference.

One thing I would say about Amazon is that I do think that they are a company that has been very thoughtful about how to introduce automated and self service capabilities. As a consumer, I encounter a lot of chatbots that just have me ripping my hair out. I mean, I had one this morning, just this morning with my cable company, one of the most hated companies in the country. I won't even have to mention them because I think probably people know who they are.

But I mean, it was such frustration, and I was boiling over with anger. I have to contrast that with Amazon, you know, I think they've been very clever about how they have structured their chatbots. I actually call it, it's the difference between omnichannel and right channel, and here's what I mean by that. A lot of companies will talk about offering an omnichannel customer experience. We want you to be able to access us when and where you want, whether that's phone, whether that's text, whether that's chat, email, whatever.

What I think Amazon years ago did that was very smart is they sought to offer a myriad of platforms for people to interact with them, but they gather some information about what it is, what your issue is all about. And based on that, they recommend a channel to you.

And that's the difference, in my view, between omni and right channel, because it's a fast track path to disappointing your customer. If they have a complex issue and you steer them to self service, that is not going to end well. One thing I think Amazon's done well is triaging in an automated way to try to direct people to the service channel that's best for them.

SS Well, my wife just went through this a few days ago and she was ranting to me about, and this is with Amazon, trying to find a phone number and then getting on the phone and having to battle through these prompts to finally get to a live agent. Most companies have gone this route, they'll do anything to avoid a live conversation - back to my point about taking cost out.

I do want to touch on this because, so I, and we're in Canada here, so there are some truly abysmal companies here whose underwater NPS scores don't seem to trouble them at all, because they're making out like bandits. You reference the cable company. We have our counterparts. The worst of them is a grocery company here called Loblaws. There's a nationwide boycott being organized against them that they're so bad, but they're so big. But they truly are a study in corporate awfulness. You've got the telcos here, the banks, the cable guys, the national airlines, for sure, with the exception of a company called Porter. I don't know if you've heard of them. But they've gone a completely different direction in terms of serving the customer.

If you were talking to their respective boards today, if you had the chance, what would you say to them? Or do you think they'd just shoo you away and say, hey, we got a good thing going here, don't trouble us with your philosophizing about CX. What would you say to those boards? [23.40]

JP You are right that there are companies that are bad to their customers, but yet seem to survive, if not thrive, for a period of time, I would add, okay? There are companies that are the 800 pound gorillas in their markets that believe, hey, why do we need to change anything? Why do we need to double down on customer experience? Seems like everything's going well. But what I would tell the C-suite at those companies or their boards of directors, is you need to look at the annals of corporate history and see that it is littered with the carcasses of companies that were dominating their markets, that thought that, you know, had excellent financial results, that didn't think they needed to invest and improve their customer experience. And then

what happened? As I alluded to earlier in another answer to one of your questions, some upstart, whether it was a new company or maybe an existing institution that entered their market, figured out a better way to serve the customer and ate their lunch accordingly.

And that 800 pound gorilla company that dominated the market by the time they realized what's happening, it's too late. And, you know, I'm thinking of companies like, Blockbuster Video, upended by Netflix. You think about all the companies that Amazon upended. You think, for example, about the entire taxi industry and how it was upended by Uber. Those are all instructive examples, I think, for companies that might be resting on their laurels, might be thinking, hey, everything seems to be going pretty well, so why do we need to worry about this?

Because if you look at history, I think that it says something different. It says that eventually, if you are truly delivering a mediocre experience to your customers, and perhaps they're sticking with you just because there are no other alternatives, or there are no, there's a high degree of friction for them to switch out. The point is that is a scenario that is ripe for disruption for new entrants. Other companies are going to see that, Richard Branson is actually king of this, you know, waiting for industries to knock the customer experience bar down so low that he then swoops in, delivers a much better experience and makes a lot of money doing it. And so, yeah, that's what I would tell them, is I think the party eventually ends.

SS Yeah, well, I think part of the challenge here is the oligopolies that get formed and they virtually work with each other to maintain their hold on the marketplace. You certainly see that in the grocery business here in Canada. But then there's the Costco's of the world, that obviously, from a CX standpoint, they have tremendous loyalty within their customer base.

JP Also, it's worth noting, because all the people listening are also consumers. We as consumers also bear some responsibility for encouraging the behaviour you're talking about, because we are lazy creatures at heart. And this is what companies count on. Companies count on consumers not investing the time and energy to research an alternative, to transition to another cable company or, you know, to

some other insurance provider or bank. Banks are notorious for this because there's so much friction to move your checking account and everything.

So we as consumers, if CX practitioners want to try to eliminate that kind of behaviour and that roadblock at certain companies, as consumers, you need to make sure you vote with your feet. You need to overcome what is an inherent human quality to just not, you know, want to take the path of least resistance. The path of least resistance is sticking with your current provider, even though you hate them, because they're just not bad enough to make you invest the time to go elsewhere. So that's my advice for consumers. If you want to get these companies to wake up and do something different, you got to vote with your feet.

SS Well, in the case of Loblaw, there was a woman who started a group on Reddit. She was so incensed at the poor experience in those stores, and it mushroomed into this movement across the country now with 50,000 people behind it, to the point where the new CEO of the company actually agreed to sit down at a coffee shop with this woman to have a conversation about what gives, right?

JP Wow, good for her.

SS But well, yeah and she's going to keep going with it. More consumers certainly need to follow her lead in this. I want to move into some of the key concepts in your book, and one of them certainly is the idea that's it's important not just to create a satisfied customer, obviously, but to create a memorable experience. Smart companies, you say in the book, are in the business of shaping customers' memories. And the other point you make is that creating peaks in the experience will outnumber the valleys. And I just wonder if you could spend a bit of time explaining this idea of peak - and I think you use the term snapshots, creating these snapshots. And what people remember is the peak experiences. Can you just elaborate on this theory, which I think is drawn from cognitive science, is it not? [29.08]

JP Yeah, yeah. And so, absolutely, this goes back to my heritage in cognitive science. And I'm sure many of your listeners are familiar with Daniel Kahneman and his book, "Thinking Fast And Slow", which was like the kind of book that nobody would ever guess would become a New York Times bestseller, but boy, did it. And while I didn't have

the - Kahneman was a professor at the school I went to, and while I didn't have the pleasure of actually taking any of his classes, I did study under some of his disciples.

The whole idea that you're talking about here is this notion that what great companies recognize is that they're not just in the business of shaping people's experiences, they're in the business of shaping their memories. And indeed, I would argue that how people remember their experience with a business is even more important than the experience itself. And the reason I say that is, think of it this way, let's imagine - we were talking about grocery stores a moment ago in Canada. So let's say that there's a new grocery store that opens up in the neighbourhood and you go there, Stephen, and you shop there for months and months, and then your neighbour says to you in passing, hey, I've never used that new grocery store that's opened up, but I'm thinking of maybe checking it out. You told me you go there. What do you think of that place, Stephen? Well, the next thing that's going to come out of your mouth in response to that question is not going to be based on the experience that you had at the grocery store. It's going to be based on what you remember about that experience, and the way our brains are wired. Those two things can actually be quite different, because, you see, we don't remember our experiences like a continuous movie, like a streaming video. It's not like we remember every frame in the experience. And then there's some algorithm in our head that looks at the proportion of frames that were pleasant and the proportion that were unpleasant, and then calculates whether or not we're happy. That is not how it works.

Rather than remembering things as a streaming video, we remember things as a series of snapshots. And it's not just any snapshot that we remember. Where the camera shutter clicks is during the peaks in the experience, the high points, during the valleys in the experience, the low points, and then also at the last thing that happens to us. And again, this is all wrapped up in cognitive science and just how we remember people. And Kahneman was sort of the central figure in deciphering this and doing a lot of study around it. But it's the high points in any experience, the low points, you know, the things that have a significant valence, whether it is positive or negative. That's what gets cemented in our memory.

As well as the last thing, which we owe to something called the recency bias, which is a psychological precept that basically says the last thing that happens to us in any interaction exerts a disproportionate influence over our perceptions and memory of that interaction. So that's what I'm talking about when I, you know, discuss the psychology and the memory science behind customer experience. Because what I think great companies do is they understand these principles and they work very thoughtfully and deliberately to sculpt people's perceptions and memories.

Because if you think about it, one important ramification of this whole science around this is that you actually don't need to be perfect at every customer touchpoint. It is entirely appropriate for you to make a strategic decision to say, you know what? At touchpoint C, F, and G, we're just going to be basic. We're going to be average. Based on how important that is to the customer and where we think we could differentiate, we're just going to be average there. That's totally fine, as long as you are elsewhere in the experience, creating tall peaks that will forge memories, and avoiding deep valleys that will similarly forge memories, but not in a good way.

SS I was going to ask you this. If you have an equal number of good and bad experiences, is it a wash? Like, how does that work out?

JP So it's not really a wash. And what happens is the things that are going to exert greater influence are the ones that happen towards the end. So weaving in that whole recency bias piece, that's why I always advise people there are certain parts in any business, there are inevitably parts of the experience that are ugly. Right? Like, I got to onboard a new customer, and I need a ton of information from you. Nobody's excited as a customer to dig in and provide that.

But my point is, if there's ugliness in the experience, what you want to think about doing with it is shoving it earlier into the experience. You don't want it to be the first thing, okay? Because first impressions do matter. But if there are valleys, you just want to make sure that they are predominantly not happening in the latter half of the experience. Because again, just the way our memory works, if you have an equal number of peaks and an equal number of valleys, if the peaks are happening towards the end, that's

going to carry the day, and in some, that's going to elevate the impression rather than deflating it.

SS So just picking up on that a little bit. And this is, again, one of the major themes in your book. You state that how a customer feels about the experience is really what matters. Is that something you can actually design for in advance? Can you actually architect an experience that drive feelings of, I don't know, joy, or relief, or exuberance? Is that in your experience, do you see companies thinking about that, baking it into their, perhaps their CX vision statement? [34.55]

JP Absolutely. You know, and, as you know, having read the book, one of the twelve principles is about stirring emotion. And I think that it is possible by design to engineer the experience to stir emotion. What's important for people to understand is stirring emotion doesn't just mean, accentuating positive emotions, it also means mitigating negative ones. And so there are examples in the book, one that you might remember. If we're talking about accentuating positive emotion, you might remember, there was a company called Framebridge. They're an online service for framing photos, digital photos or real memorabilia and what not. And my son used them one day to frame a picture, a gift for his grandparents of a photo he had taken of some mountains in the Berkshires in Western Massachusetts. He got the package back with the frame photo, and there was this personalized, typewritten note in it, which clearly indicated that somebody had looked at the photo. And, you know, because it said, the note said something like, we love your photo, we can just feel the clear, crisp air, mountain air, you know, and I mean, they frame hundreds of thousands of pieces of photos and artwork every year. It was clear that this was a personalized note. We both opened up this package, we looked at that and was like, such surprise. And that's today. Talk about memory making. That's what I talk about today. When people ask, hey, do you know a good place to get something framed? I point them to Framebridge, not only because they did a good job on the framing of the photo, right? I immediately leap into that story where, like, you're not going to believe this personalized note that I got back. That, to me, is an example of engineering for emotion. Because there's an element of surprise there. There's an element of reassurance, like, what you just framed is beautiful. And whoever, whether it's for

yourself or someone else, they're going to love it. So that's an example of accentuating.

And then on the mitigating side, you think about, there are many businesses where customers come into the interaction, and they harbor negative emotions. It might be some kind of anxiety, some kind of worry. There are ways to mitigate those negative emotions, you know, to turn worry into confidence, to turn, you know, anxiety into peace of mind. And one example, one way to do it is just setting expectations for people.

You know, you go to a doctor's office for some type of test, some type of procedure, a good doctor is going to, before they do anything, is just going to sit down, look you in the eye and explain, here's what we're going to do today. Here's what it's going to feel like psychologically and physiologically to you. That is a way of designing the experience so that you're mitigating negative emotion, you're getting in front of it. So, yeah, absolutely. I think that you can, by design, create an experience that is emotionally resonant.

SS You give some examples of this in the book as well. But, you know, we do a sat/ loyalty study for our client, and one of the anomalies always is, you know, they have a warranty program on their products, and you get clients, obviously, claiming the warranties. And if that warranty claim is satisfactorily handled, that client ends up being more loyal than the average customer. And there's a term for it, I think, that you reference in the book…

JP The Service Paradox.

SS Right. The Service Recovery Paradox, yes.

JP Yeah. So what you're referring to there is this, again, ties in with that endpoint of the experience. So let's say that there's a problem with the product or service. Typically that problem and people reporting it and trying to get it resolved is something that's going to happen at the end of their experience. Right? So if you go back to that principle about the recency bias and making sure you finish on a high note, what that really indicates is that if there is an issue, in your case, you described the warranty issue. If it is handled really well, you have the opportunity to create a peak at the end of the experience that actually eclipses the negativity of the product failure itself.

So you know, you could look at that and say, well, I did a great job with the warranty, but isn't the customer still going to be angry because the product broke? And the answer is, well, yeah, there might be a piece in their head that has that, but the fact of the matter is, just the way our memories work. The overriding impression that people will have is if you knock the cover off the ball on the recovery, if you really over rotate on that recovery, in this case, the warranty claim, that's what people are going to remember, and what will dissolve from their memory is the idea that they even had to make a warranty claim in the first place.

And the Service Paradox, which is something that's been studied time and time again, basically says that if you overcorrect on the recovery, you can actually create a more loyal customer after the recovery than what you had before the failure, you know, which is counterintuitive when you think about it, but it ties in very well with this idea of how you sequence the touch points and the peaks and the valleys to make the memories. [40.18]

SS Well it provides, I think, peace of mind. This goes back to your "feeling", right? The feeling that they're going to back up their promises. And therefore I can trust them. Because trust being the other operative word.

In your book, you outline twelve principles. They're quite exhaustive, but they're a fantastic playbook. Which ones of the twelve, I realize this is perhaps an unfair question, but which ones, in your view, are most critical to getting the customer experience right?

JP So this is the, you know, who's your favourite child? Question, which is hard to answer. Right? You know, here's, here's how I would say first, I think that the first two principles that are described in the book are the ones that are just foundational and that's the ones around the idea of peaks, valleys and the endpoint. So I'm going to put those to the side just because that's kind of like a cornerstone of the whole thing.

The other ten principles in the book are really about, how do you create more and higher peaks and fewer and less deep valleys. And so if I focus on those other ten, I think there are probably, I mean, you know this is like choosing your favorite child. But if I had to highlight a couple for you, and let me, I'm going to highlight three. Can I get three from you? Three from you? Like, that's a third.

SS Three is what I actually want.

JP OK, great. So, you know, the first one, I would say, is the idea of making it effortless for customers, I said to you a little earlier, that we are lazy creatures at heart. That is just human nature. Oftentimes it's not the best product or service that wins in the marketplace. It's just the one that was easiest for people to access and understand and utilize. And so, the notion of effortless, which we talked about Amazon, and Amazon is like the poster child example of this. Effortless - I'm not saying it's an elixir for every business. I can give you a whole host of examples of legendary loyalty leaders that are not effortless to work with because they're doubling down on other principles that I talk about. But by and large, making it effortless in many businesses is a really effective way to endear yourself to your customer, because customers' most valuable, finite resource is, their time. And when you make it effortless for them, you are giving them the gift of time and convenience, and in return, they'll reward you with their enduring loyalty. So that's certainly one I would spike out for you.

The second one I would spike out would be the idea of emotion, stirring emotion. And we talked about this already, but the reason I think this is important is because, I quote in the book, Jonathan Haidt[1], who's a famous social psychologist, professor at NYU, and he once said that the emotional tail wags the rational dog. And he actually wasn't making that statement relative to customer experience. But I read that and I was like, this is true in customer experience.

Because customers, their perceptions and their memories of an encounter are not going to be influenced largely by their logical, rational evaluation of the experience. Rather, it's going to be influenced by how they feel after that interaction. And so the emotion piece, I think, is a critical principle that I'd highlight, because it's so easy for companies to think, to obsess over, you know, logical, rational, black and white metrics and say, hey, the gauges are all green, like, we got to be knocking it out of the park here. But what they don't realize is that from an emotional standpoint, the customer, for some reason, isn't feeling good about the experience.

And so, you know, it's like calling up a contact center and they pick up the phone, a live person, 10 seconds or less, you'd look at that and you'd say, that's a great experience.

But if every time you call that company, at the end of the call, if you're made to feel like you were a burden on that service rep, if you were made to feel unvalued, or uninformed, or dumb, or embarrassed in some way, it doesn't matter that they pick up the phone in 10 seconds flat with a live person every time, you're still going to walk away with a negative impression. So that's why the emotion piece is so critical.

The third and final one that I would highlight for you, which I have to admit that I love a little bit more, maybe than the others, is the notion of giving your customer the perception of control. The reason I love this one is because it often costs nothing to employ. Yet it has such a significant impact on the impression that you leave on your customers. And basically, the gist of it, again, this goes back to psychology. Human psychology basically says, we, as human beings, like to be in control of what's going on around us. We are control freaks at heart.

And so whenever you feel in a business interaction, like you've had to give up some control, you know, you have to delegate something to a third party. And, you know, whether it's a banker putting together a financial plan for you or an insurance underwriter, you know, underwriting coverage for you or anything, I mean, it's common in business that you have to delegate. Or getting my car repaired. I got to delegate that to the mechanic. The point is, the minute you delegate anything to a third party, the experience will immediately feel less good, because you feel like you've lost some control. But there's been a lot of research around this, and what's been found is that there's a really good proxy for giving your customer what's known as direct behavioural control, and that is giving them the sense, the perception that they have control.

And so if people actually just feel, if they're made to feel like they have control over the experience, they will feel better about that experience even if you don't lift a finger improving anything in the experience. You know, it's almost magical that way. And I think the classic example of this, Stephen, is the difference between a known wait and an unknown wait. So anybody who has waited in line knows that when you get into line, and if somebody looks at you, when you get in the line and says the approximate weight from where you're standing is five minutes, that feels like a

very different experience than if you get into the same line, but nobody looks at you and nobody says anything to you. Because when you don't just have an expectation set, you are wallowing in ambiguity. And when you're wallowing in ambiguity, you feel like you've lost control of what's going on around you and your destiny. And just by setting an expectation of, hey, five minute wait from where you're standing, totally changes the tenor of the experience.

And that's true, you know, expectation setting is one example of a tool to give people the perception of control. And as I said, it's free. It's practically free in any business. If you're just really good at setting people's expectations, they're going to feel like they've got a greater sense of control, and they will feel better about the experience as a result. And so, that's why I like that one as well. [47.09]

SS It's interesting because it's this gap between expectations and actual experience that sort of undermines the feelings that you're talking about. Well, "I should be entitled to this. And I don't get this" I think that's where obviously Amazon set the bar in terms of next door delivery, right?

JP Yeah, right.

SS They can do it. Why can't this company do it? And that goes on, still a lot today. I want to delve into another area, and it was an interesting perspective you had in the book. So a lot of companies aren't getting CX right and there's a lot of pain points along the way. And the way a lot of companies are obviously trying to solve this is through customer journey mapping, as you know. It's heavily relied upon. I know, you know, one telco provider up here has a whole department that does, that's all they do is CGM business case it prove that it's going to have this lift and spending and loyalty, etcetera. And then they authorize the expenditure and away they go. So it seems to me that the heart of a lot of what companies are doing. You're not a big fan, I think in the book you reference it, and I just was curious why that is.

JP So I would say I have a bit of a love-hate relationship with customer journey mapping. I think that it is a tool that is suitable in certain instances, you know, such as helping to give a variety of people in an organization from different functional roles a better lens into how the experience actually unfolds and how the typical customer feels at each episode in that experience.

So I'm not saying it's not without value. However, the issue that I've got with customer journey mapping is that it is typically done at a 30,000 foot level, meaning that you get a bunch of people in a room and there are post it notes and there's a big poster board, or there's a big wall where you're kind of drawing out this graphical visual illustration of the customer journey. And you're mapping what you think are the high points and the low points. And, you know, one key miss is that many companies do this, and they actually never involve customers. It's funny, I was leading a workshop a few weeks ago and I was talking about customer journey mapping with this client of mine and someone in the audience raised their hand and said, "Jon, would you recommend embarking on journey mapping exercises, even if you haven't already solicited customer feedback?". And my answer to them was, well, that depends: Do you like to live dangerously?

And that's really how I felt, because you could do it, but you could come up with a whole bunch of conclusions that are just going to be, you're going to throw out once you inject the customer perspective. So the way people go about journey mapping in terms of often just doing it with sort of, it's like navel gazing, it's just the internal people huddling together. It often has important blind spots.

But the biggest issue that I've got with the journey mapping is that it's done at 30,000 feet. And the reason I say that is because the hearts and the minds of your customers are not won at 30,000 ft. They are one in the trenches, in the hand to hand combat of each and every day's interaction, whether it is live print or a digital touch point. And the issue with traditional journey mapping exercises is it doesn't get deep enough, in my view, to reveal, to unearth some of that minutiae that, while a small detail, can nonetheless have a very significant impact on the impression that's being left on your customers.

And, you know, one example I'll give you from a financial services and insurance client that my company worked with that just sticks out in my mind, is there was a single bullet point on a single letter that every customer received once a year. And that single bullet point was creating a lot of angst with customers. And it's not something that would have been revealed through a traditional journey mapping

exercise, because we're talking about, I mean, it was like a sentence in a bullet on a letter.

And so that's why my advice to companies is, if you're going to embark on customer journey mapping, like, great, that's all well and good, but just go into it with eyes wide open. Realize that is not the end of the effort, that you might get a 30,000 foot view that will arm you with some good information, but you have to then dive deep, and that takes time, and it takes energy.

But I would argue that that is the only way that you are going to identify not just the pain points that are lurking in the experience, but also the opportunities to delight customers by giving them things they would have never thought to ask for, because it just never crossed their mind that it was something that you could help them with. That's something that you only really start to see once you get deep into the details of the experience. [52.18]

SS Well and there's also this concept of future state CJM versus current state, etcetera - reimagine the experiences as you're, as you're pointing out. I want to touch on another key area which is measurement. So you referenced CSAT earlier, there's NPS, of course, which - there's a big irony. A lot of companies have adopted that as an executive level metric, and here we have CX going in the opposite direction. There's the idea of Customer Effort Score. So you talked about effort earlier on. Each has its advantage and role to play. What's on your ideal CX dashboard, and how would you prioritize those measures?

JP Yeah, so I don't think that there is a single ideal CX dashboard. I think it depends on the nature of your business and the part of the experience, the episodes that your area is responsible for. So, depending on the answers to those questions, the number one measure might be something like Customer Effort Score. In another scenario, it might be a Net Promoter measure.

What many companies gloss over, they spend a lot of time measuring through, say, surveys, but they don't spend a lot of time actually tracking true loyalty in their business. Like, where is our business coming from? How much of our business is coming from people who either did business with us in the past or referred that person to us. They don't look at things like, what is the average number of contacts that

we're getting in our service center from the customers who seem to love us versus the ones who dislike us. Those are important metrics as well. First contact resolution, another example of, depending on where you are in the experience, what part you're looking at. I think that there are different metrics that might be on your dashboard.

Here's what I would say, though, about the metrics discussion. I think that many CX practitioners, they're almost religious in their zeal for a particular metric, and I think that's dangerous. I think that every metric has pros and cons, and I think that it's important to acknowledge that and to recognize that, with the people that you're working with. Personally, do I think Net Promoter is a good measure? Absolutely. I like it, and I probably favour it over a standard CSAT measure. But the reason I say that is because I think that Net Promoter, when implemented correctly, can be a very, not just an effective measurement tool, but it can actually be an effective tool for helping to shape a culture. That's if a big if, if you implement it correctly.

So, you know, I have favourites, but I would never tell anyone, hey, you know, it's like NPS or nothing. That I think is crazy. I think the key is you just need to make sure that there is a formal, institutionalized and disciplined approach for continuously soliciting the input of your customer. And that voice of the customer program should not be limited to just surveys. I think there are other instruments that the company should be using to make sure they're keeping their finger on the pulse of the customer. That's what you want to go to the mattresses about. That's what you want to focus on in your conversations with companies. Squabbling about which measure is right and whether it should be a five point scale, a seven point scale, an eleven point scale. It's just not going to get you where you want to be. You just want to make sure that the voice of the customer program is robust, that it is not designed in a biased way, and that it's not just being used to measure performance, it's actually being used to manage the business, which is a big difference. [56.04]

SS Yeah, and that's, we couldn't certainly from our perspective, agree with you more on that. It's a great way to socialize the concept of CX if you can demonstrate the correlation between customer value and how they feel, which is loyalty, in part NPS, as well.

So you referenced at the very start of this conversation having experience in service and marketing and sales, and that gave you this 360 perspective, that's really helped you, couldn't agree more. Organizations are still operating as functional silos and hence the challenges whether from a data perspective or otherwise, even having sort of a unified, common viewpoint on what CX is.

From your perspective today, what does that optimal organizational structure look like? Should marketing own CX since its closest to the customer? Should it be an entirely new organization? Should it be some sort of cross functional group that has oversight? What in your experience is working best today or what would you recommend to your clients in terms of how you support end to end CX?

JP Yeah, there's a lot to unpack in that question. You know, what I would tell you is, first, organizationally, from a structural standpoint, I think a lot depends where you are on the maturity curve. One thing that I'm concerned about is companies that will establish a Chief Customer Officer role and a centralized customer experience team. Because I think the risk there is then everybody feels like everybody else in the organization is like, well, they're the ones that do that. You know, that's not something I'm involved with. I think that could be dangerous.

But I would also acknowledge that there are certain points in the maturity of where you are in kind of launching this focus on customer experience, where that might be the appropriate move. So, that's the first thing I would say is it depends a little bit on where you are on the maturity curve.

The second thing I would say is in terms of where should CX fit if it's not within sort of its own organization. I don't have a standard functional positioning to respond to that question with. I actually think that some of the most successful setups that I've seen are dependent not on the placement with a function, but rather the placement with a person. And here's why I say that. People who are successful in a CX leadership role within an organization have a very unique set of skills, in my view. It's a unique balance of sort of right brain and left brain. You could give CX to a marketer, and no offence to marketers here. Okay, I'm going to flip it around in a minute. But you could give CX to a marketer, and they could come up with all kinds of great ideas, but they might

struggle with execution, they might struggle with practicality, and so that doesn't get you anywhere.

Now, conversely, you could give it to an operations person, and they might be great at execution and practicality, but they might be limited in terms of thinking, "How do I bring the brand to life in every interaction?". Which the marketer would be able to do effectively.

So I find that the people who really succeed in these roles are the ones who can easily skate across those different domains. And this, of course, this goes back again to why I decided to go into this business in the first place, just given that I had skated around all of those different functional areas. So I think that you're looking for people who have that right brain, left brain balance, who have a respect for marketing, but also the tactical chops from an operation standpoint. And the fact is, those people could live anywhere depending on the organization. It could be the head of customer service, it could be the head of marketing, it could be some other figure.

So if you want the CX effort to be successful, I think, you have to sort of step back a little bit and say this isn't a question of what organizational box it fits best in. I think you got to ask yourself, who's the person on my team that is probably best suited here, from how they look at the world and the way they build relationships with their peers? Because let's face it, that's a really tough challenge for anyone in a CX role, because if you don't own the delivery of the experience from sales to service, then you need to be an influencer with all of those heads of those functions. So you have to be somebody who can effectively earn the respect of the head of sales, of the head of service, of the head of distribution, of the head of IT. And so again, that's a quality that doesn't reside in a certain org box. It resides in a particular person. [60.00]

SS Although, unfortunately, that person is a unicorn these days. I think that's a big part of the challenge, isn't it? And I just want to, in the closing minutes here, we start off talking about these big companies are going in the opposite direction. And part of it is the tremendous investment that's required to get these organizations caught up with where customers are today. That is, to catch up with their expectations. It takes transformational change, which isn't ever easy.

You know, assuming a company wants to go down this path, adopts a CX vision, wants to become customer centric, wants to be "customer first thinking", who should be accountable for driving that change? Is this the unicorn you're talking about, or is this a top down, CEO-led mission, that then is handed off to a steering committee to say, go out and figure out the things that we got to fix first. And then it's things we got to fix that are going to be different, or signature experiences or memorable experiences, however you want to express it. What is the roadmap for that in terms of transforming organizations' approach to CX?

JP If I look back at, you know, I've been leading the Watermark Consultancy for 15 years, and then, of course, before that, as we talked about, I was working in the corporate world, also tangentially in customer experience. If I look across those 30 years and I say to myself, what's the common thread with the organizations that succeeded? The answer I would give you is executive commitment, top level executive commitment.

Now, that's going to be disappointing to some of your listeners, probably because some of, you know, many of them might work in organizations that don't have that. But I have to say, if I had to put my finger on anything, there is simply no substitute for having a CEO or a President or some other member of the C-suite, who is just inherently passionate about this topic and believes it in their bones. Because that's how you start to get away from the initiative de jour pitfall, from the corporate window dressing, from the good corporate annual report copy, is when you've got somebody who they're totally vested in it. It's not a surprise that you often find that in founders of companies.

So if you look at Jeff Bezos, for example, or Tony Hsieh, these are founders that just from the very beginning they engineered their whole business around this customer focus because they believed so deeply in that. I'm not saying that it's only limited to founders, but my point is that that's my short answer for you, is there is no substitute for C-level commitment. And I mean commitment. Not like "I attend a steering committee meeting every now and then". I mean, at every town hall meeting, at every one on one with my direct reports. Instead of me just talking about sales, instead of me just talking about margin, I'm talking about customer

experience as well with them. At the town hall, I am celebrating the people who went and delivered an excellent customer experience to the people that we serve. I'm highlighting those who work behind the scenes to enable the efforts of the folks on the front line to deliver that experience.

I mean, this has to be woven through the organization, and there's no better person to do it than the person who's at the top of the pyramid, that C-level individual, provided that is in place. I think that there are many ways that you can then take the next step. Might that C-level individual choose to hire a head of customer experience to spearhead things? Yes, and that might be the right answer. Might there be a steering committee? Yes. But ultimately it's that C-suite individual, because that's the person who's going to look the head of IT in the eye, the head of legal in the eye, the head of service in the eye, the head of sales in the eye, and have the tough discussions with them to make sure that they are not seeking to optimize just the performance of their individual silo, but that they are working to optimize the end to end customer experience. And sometimes that might mean that they have to put aside some of the objectives that they personally place as a priority for the greater good. And that's the kind of conversation that I think that, that CEO, that President level person, only they can have. [64.53]

SS Well, and they're the ones in front of the board that has to convince the board of the shareholder versus stakeholder trade off that has to go on, right? This goes back to what I asked you earlier about: What would you say to these respective boards to convince them this is a path to go on, and obsolescence is obviously one threat.

JP As you know, having read the book. One of the things that's highlighted in the book is, the Watermark Consulting customer experience ROI study. And that was born out of the very dynamic that you're talking about. When I launched Watermark in 2009, I said to myself, hey, I've been dealing with doubters through all my whole corporate life, but if I can't convince people that CX is worth investing in now, when I've set up my own business, like, that's going to be a bigger problem because my paycheck depends on that.

And that's when I said to myself, and I remember it vividly, it was Christmas time in 2009. And I said to myself, hey, what language does the board understand? What language does the C-suite understand? And the language that they understand is the language of shareholder value. Whether you're a public or private entity, that is a language everybody understands. And that's when I said to myself, hey, wouldn't it be interesting to take a look at the shareholder returns of the top companies, publicly traded companies in customer experience, versus the worst in customer experience. And from that was born the Watermark CX ROI study[2], which we've updated every few years now, there's a new one coming out actually later this summer. Maybe in your show notes you can include a link to it, but it's in the book and it's just hard to argue with the graphic that you see from the outcome of that study, the most recent published version, the companies that lead in customer experience outperform those that lag by a three to one, over three to one ratio in shareholder return. And that's for, I think, a 13 year period. To me, that's the exclamation point on the case for customer experience. I'm not suggesting that you put that graphic in front of your board and then they should give you a blank check to invest in it. But I do think it is an effective way to start a constructive dialogue because what that graphic and what that study really shows the board is that the return from a great customer experience is not soft and intangible. It is real, it is material, and you can take it to the bank.

Well, I think what I am going to do is take a copy of that and send it to Galen Weston, who's the head of Loblaws, see if we can convince them to improve their level of CX and treatment of employees. This is a good note to end on Jon, I really want to appreciate your time today. The book is a terrific read and you're quite an engaging speaker, so I quite enjoyed this conversation.

JP Thank you, Stephen. I did, too. And I appreciate being invited on the podcast.

That concludes my interview with Jon Picoult. As we learned, companies are struggling to move at the speed of their customers, whose expectations keep growing. They give lip service to the idea of putting customers first. They are often half-hearted about making the tough changes that will lead to people feeling better about their experience. Transforming the customer experience requires making a positive impression each time a customer interacts with the

company. Those moments of truth create snapshots in the minds of customers that can override any minor letdowns along the way. Those memories drive repeat purchase and ultimately emotional loyalty. Make the experience easy, make it simple, make it fun, make it different, make it joyful. Above all, make it memorable and distinctive. Only then can companies truly transform the customer experience.

[1] Jonathan Haidt is an American social psychologist whose area of study is moral foundations theory which deals with the origins of human moral reasoning.

[2] The Watermark Customer Experience ROI Study is based on the cumulative total stock return of Customer Experience (CX) Leaders and Laggards as identified by third party CX rankings.

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