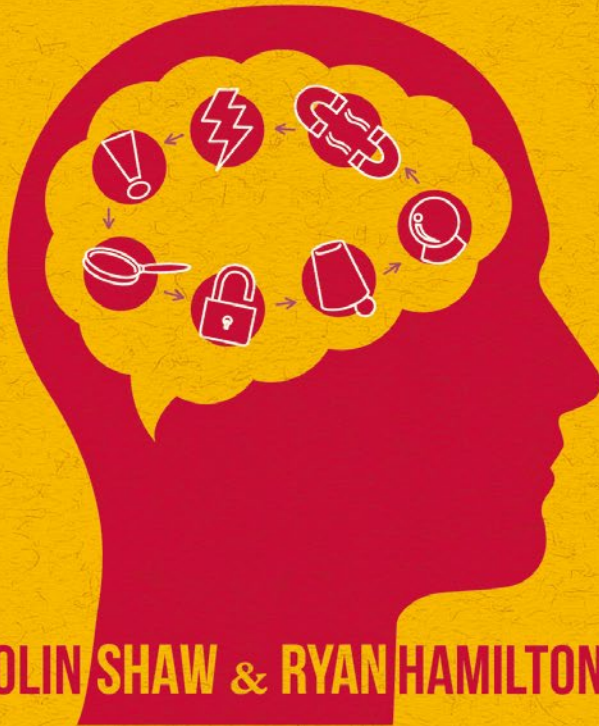


# THE INTUITIVE CUSTOMER

**7** IMPERATIVES FOR MOVING YOUR CUSTOMER  
EXPERIENCE TO THE NEXT LEVEL



**COLIN SHAW & RYAN HAMILTON**

# The Intuitive Customer



Colin Shaw • Ryan Hamilton

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7 Imperatives For Moving Your Customer  
Experience to the Next Level

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# Foreword

When I read Colin Shaw's first book, *Building Great Customer Experiences*, it helped put into practical steps what we needed to do to improve our Customer Experience. I am proud to say that since that day, our Net Promoter Score (NPS) has improved dramatically. In fact during one 30-month period it improved by 34 points, proving that it is possible to improve your Customer Experience in a comparatively short time. From that meteoric upswing, we continue to see ongoing gains in our NPS ... something we are very proud of at Ricoh Canada.

But who are we? Ricoh Canada, Inc. is a wholly owned subsidiary of Ricoh Americas Corporation and employs more than 2,300 people in Canada. We have over 900 certified technicians and more than 200 sales representatives through our Direct and Dealer channels. Over the last ten years, we have grown over 115% and made significant gains in market share. Our vision is to be recognized as an industry leader and trusted brand in the digital evolution of the workplace. We do that through highly engaged employees providing an exceptional Customer Experience. Our foundation of ethics and integrity support our core values and customer-centricity.

Of course, our success did not come by accident. Rather, after experiencing mild growth over a 15-year period, our Executive Management Team decided we needed to change the way we worked with our customers. We called it "MyCustomer" in the beginning. The basic foundation

of MyCustomer was investing in our customers first. From there, the MyCustomer program created an experience that reflected what our customers valued most, adding an important dimension to our relationship. Our initial efforts included a focus on the following four goals:

- To become the market leader
- To create a customer-centric culture in the organization
- To position service excellence as a competitive advantage
- To develop a value proposition based on the Customer Experience

Our Executive Management Team recognized what we wanted to do, and we set about making a series of important changes. We revised how we measured our employee performance, and as a team we decided in 2003 to include NPS as an expanded part of our Satisfaction Survey. Effectively, we were looking for a vehicle through which to understand the behavior of our customers, and determine how we might be able to tap into and improve upon our retention rate. The Voice of the Customer became a critical focus for every important decision we made. How could we do better for our customers? It was clear that improving our retention rate by 5% or 10% would have a significant impact on our top line and our bottom line, provided we continued to seek new customers at the same rate. And assuming our rejection rate was probably normal – or at least as good as anybody else’s – we knew the efforts we were making were worth it.

We connected with Beyond Philosophy and focused their tools and models on redesigning our Customer Experience – from analyzing process and moments, right through to training for Customer Experience as part of our culture. We beat that drum incessantly around here because we wanted everybody at Ricoh Canada – from technicians to accounting staff – to understand the impact they were having on our Customer Experience. It became part and parcel of our on-going communication, and I’m happy to say it worked its way into the cultural fabric of the organization.

The good news is that our first steps using the Beyond Philosophy approach were successful. We noticed an immediate improvement in our NPS score and customer satisfaction. The bad news was that we also discovered there was a disconnect between the goals we wanted to achieve, and the current day-to-day processes we had in place to accomplish them.

In other words, we had the “what” of the Customer Experience defined, but we didn’t have the “how.” The feedback we got from customers indicated there was an inconsistent delivery of the Customer Experience, a result of an individualized perception of what a great Customer Experience meant. We corrected course and continued our journey. But even now, we still are perfecting our navigation through the changing marketplace and customer expectations.

In addition to our NPS successes, Ricoh Canada sales grew substantially from where we were, and we have enjoyed a 10% year-on-year growth for the decade. This success is no small accomplishment when you consider economic conditions and the shrinking usage associated with print technology in our digital age. We have also reduced customer churn and increased market share in Canada.

What’s the secret to our success? In its simplest form, we embraced the movement as an entire organization. It isn’t just for sales and service or the field engineers. The Customer Experience movement is for everyone, from HR to IT to Finance. They all impact the experience for customers. It became a part of our Cultural DNA. If you leverage that one simple secret, then you will be able to effect change for your organization. In hindsight, I would have introduced the NPS score into people’s pay five years earlier than I did, to help drive home this concept, perhaps even right at the inception of our MyCustomer program.

Candidly speaking, there are many organizations out there that are cutting corners and quite frankly leaving the customer in the lurch. We see it in our industry, and I’m sure it’s in the case in other industries as well. We’ve seen companies simply not performing at the level that they used to, often because they cut too many corners or because they drove too many costs out of their business. They simply don’t put customers first. That’s an ongoing problem in the marketplace. When we come forward with a focus on the customer and the experience we want them to have, we do tend to stand out.

In this day and age, too many leaders are focused on the pure financials, and on what I call the “Earnings Per Share” mentality. This focus causes knee-jerk and short-term decisions. There is an enormous pressure there. I totally understand that. However, you’re not foregoing profit to inject a solid Customer Experience Management process and program in



the organization. You are creating a much more solid foundation from which to generate the profits. It's so much harder to get new customers than to keep the ones you've got.

We are ever conscious that both the marketplace and our customers' expectations are constantly moving. When you consider the economic conditions over the last ten years, as well as the commoditization of so many products and services as we hurtle forward into the digital age, we recognize that our focus needs to be sharper than ever. While you can argue that we are doing well, I am also concerned with ensuring that we do not rest on our laurels but rather continue to push forward. However, the question becomes, push forward to where? In our case, it's our transformation to a services company that also happens to provide hardware and software solutions. The Customer Experience is critical in garnering an expanded business relationship based on an earned trust and experience.

This book provides an answer for organizations like ours, who have done what we can up to this point and are ready to move to the "next level" of Customer Experience excellence. As usual, Colin, Ryan, and the team at Beyond Philosophy continue to push the boundaries and lead the thinking for organizations looking to move to the next level of Customer Experience.

When we began considering customer emotions based upon Colin's first book back in 2002, we were involved in something new and innovative that undoubtedly helped us get the results we have achieved today. But we all know that standing still is not an option; just look at Blockbuster, Kodak, Circuit City, or any other big brands that have virtually evaporated from the marketplace. The list is endless. Consequently, it is my job as CEO to look not just at today, but also at tomorrow, and to start to lay the groundwork for the future.

As the book demonstrates, focusing on emotions is still a forward step for most organizations today, although many are now starting to experiment in this area. For those of us already well into integrating that concept into our culture, however, the interesting question becomes, what causes an emotion? What Colin and Ryan have outlined in this book is the subconscious and psychological experience that drives customer behavior, or what is now becoming more widely known as Behavioral Economics. These concepts are key for me. If we can understand why

customers do what they do, then we can serve them better. Sometimes that means accepting that human beings are complex animals indeed.

This book will introduce you to many of the psychological principles that have been known well in academia for years. Despite their long-standing acceptance in scholarly circles, few businesses embrace these principles. Once you have read this book, I think you will agree that this is, in fact, the next key battleground. The time has come for understanding your customers at a level never before examined. However, as I learned with Colin's first book, the theory is one thing; the practical implementation is another.

Colin and Ryan outline the practical steps organizations need to take to improve their experience and move themselves to the next level. The book outlines a series of imperatives, things you must do if you are to continue moving forward in the Customer Experience arena.

So even after we improved our NPS by 34 points in 30 months, it's clear that the work is never done. I recognize that we need to push ourselves even further into this area, understanding our customers at a much deeper and more sophisticated level. A large part of the task is sharing that vision with the entire team, and revisiting the idea that the movement is for everyone, regardless of title and position.

Because if our journey with Beyond Philosophy has taught us one thing for sure, it's that delivering an exceptional customer experience is everyone's responsibility.

Glenn Laverty  
President and CEO, Ricoh Canada



## Praise for *The Intuitive Customer*

“Shaw and Hamilton hit the nail on the head and then hand you the hammer. They show how to move your customer experience to the next level using what they know about the intuitive customer.”

–Terry Cain, Vice President,  
Global Customer Engagement, Avnet Inc.

“An insightful and engaging look into the intuitive nature of customer behavior.”

–Alexander Chernev, Professor of Marketing,  
Kellogg School of Management, Northwestern University

“Ever wonder why customers do what they do? This book will tell you, but it goes one stage further and tells you how to take your customer experience to the next level.”

–Dann Allen, Vice President,  
Retail Banking Group Customer Experience, Bank of the West

“This is a great book. Shaw and Hamilton have taken on the complicated subject of behavioral economics and translated it seamlessly into an important practical guide for customer experience management.”

–Uma Karmarkar, Assistant Professor of Business Administration,  
Harvard Business School

“Just as you thought you had done all you can to improve your customer experience, Shaw and Hamilton show us the path for taking your organization to the next level of customer experience with the intuitive customer.”

—Howard Zonder, SVP,  
Marketing and Audience Development, UBM

“When we were looking to move our customer experience to the next level we engaged Colin and the team at Beyond Philosophy. Why? Because they are thought leaders in customer experience and this book reinforces why.”

—Diane Lantz-Rickard,  
Global Brand Marketing Manager, Caterpillar Inc.

“This book chronicles how behavioral economics meets customer experience in an entertaining and accessible way. It reinforces my belief on why this combination is such a powerful concept to move people to the next level of customer experience.”

—Steve Hurst, Editorial Director,  
Engage Business Media

“Complacency kills organizations. In Zahid Tractor, customer experience management has become embedded in our culture. Shaw and Hamilton show us in this new book why we have only just begun.”

—Khalid El Shurafa,  
Marketing Manager, Zahid Tractor

“*The Intuitive Customer* has been the missing link for building loyal customers. It's a ‘must-read’ for marketers looking to understand customer behavior in the ‘new world’ of customer experience.”

—Trudi Ford-Hutchinson,  
Senior Customer Propositions Manager, Avios

# Acknowledgments

Writing one book is difficult; writing six books is even more of a challenge! There are many people who have helped me through either direct advice or simply helping me do the “day job” at the same time as writing. I hope these acknowledgements serve as my thanks to those people.

For my business life, my thanks go to all the team at Beyond Philosophy, who have helped get us to where we are today by being great at the job they do. Their continued commitment, dedication, and ideas have been an inspiration. My specific thanks to Terri Lively, an outstanding member of the team who helped a great deal with the book, guiding us, correcting us, and being part of the team to get this completed.

For my personal life, I also extend a huge thank you to all my friends and family for keeping me grounded. I also want to thank my kids, Coralie, Ben, and Abbie. You are undoubtedly the best thing I (we) have ever done and our proudest achievement.

But perhaps most of all, I want to thank my wife Lorraine, who is quite simply the reason for my being. We started going out with each other when she was 16, and I was 17, and we have been together ever since. We have had a blessed life together. Lorraine’s support, understanding, and encouragement has without question has been critical to whatever success I have enjoyed. Thank you from the bottom of my heart.

Colin Shaw

I am grateful to the great team at Beyond Philosophy, who have been a pleasure to work with and who have contributed in large and small ways to bringing this book to completion. I also acknowledge my great colleagues, friends, and mentors in the academic marketing community for their support and intellectual stimulation. Finally, and most important, I am indebted to my wife and children for their love, patience, and, all too often, cheerful tolerance of me and my schemes.

Ryan Hamilton

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## About the Authors

**Colin Shaw** is Founder and CEO of Beyond Philosophy. A pioneer in the field of Customer Experience, Colin has written four best-selling books on the subject. Colin's background is in operational line management. He held many senior executive positions in corporate life before founding Beyond Philosophy in 2002. Under Colin's leadership, Beyond Philosophy has helped many of the world's most prestigious organizations improve their Customer Experience, including American Express, FedEx, IBM, and Caterpillar. One client, Maersk Line, the world's largest container shipping company, improved their Net Promoter Score by 40 points in 30 months, which gave a 10% rise in shipping volumes, using Beyond Philosophy's methodology.

**Ryan Hamilton** is Professor of Marketing at Emory University's Goizueta Business School, Atlanta, Georgia. Ryan is an award-winning teacher and researcher in the field of consumer psychology. In 2011, he was named one of "The World's Best 40 B-School Profs Under the Age of 40." His research investigates shopper decision-making: how brands, prices, and choice architecture influence decision-making at the point of purchase. His research and teaching are focused on identifying some of the surprising ways firms can use psychology to better understand and serve their customers.



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# 1

## Moving Your Customer Experience to the Next Level Requires New Thinking

We cannot solve our problems with the same thinking we used when we created them.

*Albert Einstein*

The following is a typical call, one we receive more and more frequently; in fact this particular call came only yesterday from an organization seeking our help. The caller explained their predicament:

We introduced the loyalty score, Net Promoter, three years ago. We aligned our people around it by altering the measurement and the rewards. But after some initial improvements our score has remained flat. We have poured lots of time, effort, and money into the program. Why is this? Where have we gone wrong?

The answer to their problem is simple. They have reached their glass ceiling. They can see where they would like to be, but they don't know how to get there. They have enjoyed the early gains of improving their Customer Experience and find themselves asking, "Now what?"

One of the authors of this book, Colin Shaw, wrote one of the first books on Customer Experience back in 2002: *Building Great Customer Experiences* (Palgrave Macmillan). He has seen the Customer Experience industry grow exponentially over the years. Today, many organizations suffer from the same issue: Their program is now plateauing or not progressing as much as they would like.

They don't know how to take their Customer Experience to the next level.

Unfortunately, there are also many organizations that jumped on the "Customer Experience bandwagon" without knowing what they were getting themselves into. As they looked around their industry, they saw their competitors improving their Customer Experiences. They also heard many people talking about this brave new world, so they decided they should undertake a Customer Experience project as well – without understanding what it takes.

In both cases, the big problem is these organizations are using traditional thinking to try and solve modern problems. But using old thinking to solve new problems doesn't work. To be fair, they don't know any different. What they don't realize is they have reached their limit, as "they don't know what they don't know." The cumulative effect is that they can't break through the glass ceiling and get to the next level of managing the Customer Experience.

## **Organizations are Trying to Solve the Wrong Problem**

We are in the Experience Economy. Pine and Gilmore first identified the experience economy in 1998. It is an economy driven by the experiences that people or businesses want as customers, and the organizations that design and promote these experiences to them. Pine and Gilmore stated that the next competitive battleground for business was in the "staging of experiences."<sup>1</sup>

We are well into the experience economy today. We all know competition is fierce in most markets. The web has put competition on steroids and globalization has been a real and growing force for some time. People's lives are much busier, and their attention span is limited; they now crave

mobile everything and synchronized anything! In short, people's expectations of the experiences they should receive from organizations is now at an all-time high. Apple set the standard for the intuitive experience. Brands like Zappos have demonstrated that having a human interaction pays dividends, and have encouraged their people to spend time talking to customers. To paraphrase Tony Hsieh, the famous CEO of Zappos and long-time champion of the Customer Experience, the telephone can be the greatest branding tool. Why? Because a good customer interaction sticks in the mind of the customer and becomes a story they share with people.<sup>2</sup>

It's not only the high-end companies that can provide a great Customer Experience. Southwest Airlines shows us that even a budget airline can have a great human interaction.

Operations can provide great experiences when even no people are visible. A great example of this concept is Amazon, a company that set the standard by wanting to be "Earth's most customer-centric organization."

Emphasizing Customer Experience is a concept that is now global. We have worked in Saudi Arabia, the United Arab Emirates, Egypt, Singapore, China, Australia, the US, Canada, Colombia, Mexico, Hong Kong, India, all over Europe, and Russia. The list goes on and expands every day. Our latest global customer-research shows that although different countries are at different stages of maturity and development, everyone is in the experience economy. But those organizations in more mature markets are starting to hit the problem of a plateauing Net Promoter Score (NPS). Every day we see organizations who are desperately trying to make the machine they have developed work faster, when what they need is a new set of machinery, another way of looking at things.

Let us give you an example. Before we knew any different, people thought the world was flat. We created rules and stories to set boundaries for ourselves, which included, "Don't sail over the horizon as you'll fall off the edge of the Earth." It sounds silly now, of course, but back then, that was the belief. We have beliefs similar to this in business today. Those "flat-earth" beliefs are:

1. Customer Experiences are entirely rational.
2. People are logical, rational beings and make decisions in that way.
3. People only buy based on price.