CHAPTER

8

What They Want: Ten Myths About Your Customers

To become customer centered and customer preferred, a firm must change its orientation and design its business capabilities, infrastructure, and measures of success from the outside-in by using the customers' perspective. There are several real issues to overcome to do that. The first is that a firm's current beliefs about its customers tend to drive its policies, decision making, and not only what its employees do with customers, but also what they don't do. This becomes so embedded that firms practice this without realizing it, and it results in great resistance to new ideas about customers when the old ideas are so heavily ingrained.

The automobile company, for example, did not want to hear that customers were more interested in their coffee cup holders than other attributes of the vehicle. "We build cars for driving, not for drinking coffee" was a typical example of how a mindset about customers can filter out and resist hearing ideas or concepts that do not match prior conceptions about customers.

RETAIL BANK: LET'S ASK THE CUSTOMERS

At one of the largest, most successful banks in North America, I sat in the board room with a direct-report to the CEO and a group of other senior executives. They were in a quandary because tens of millions of dollars had been expended on telephone contact centers, yet the volume of calls was growing at such a rate that the capacity of that relatively new equipment would be exceeded in a year or so.

"Who's going to tell him?" asked one executive, referring to their CEO. No one made eye contact. Some examined the ceiling tiles, while other execs scrutinized their feet, apparently concerned that some shoelaces might be loose and in need of tying.

The silence grew heavy. Ultimately, as an outsider, I felt it was okay to fill the void and speak.

"I don't understand the problem," I said. "Didn't you say that if a customer comes into your bank it costs X to handle the interaction, but if they call your contact center it reduces your cost by 90 percent?"

RETAIL BANK: LET'S ASK THE CUSTOMERS (continued)

The executives looked back at me. One nodded in the affirmative.

"Then, isn't it a good thing that volumes are growing, because the more you can change customer behavior by providing a desirable, less-costly access channel, the more profit you will make? Don't you eventually want all customer contact to be conducted through low-cost channels, rather than via high-cost brick-and-mortar branches?"

Yes, they agreed, but they still had missed their forecast regarding when the current equipment would no longer handle the volume.

So I suggested that they come up with new reasons for volume to increase on the systems, such as things that weren't being done by the bank back at the time of the forecasts and when they bought the equipment. "Tie the equipment to initiatives that will add profit to the bank and that will be valid, positive reasons the equipment will need to be expanded. Make the additional capacity a good thing, linked to new, added revenue and not merely another unplanned expenditure."

"For example," I continued, "what about using the call center equipment for outbound calls to generate revenue? And what about doing cross-sell with the inbound customers who call you? Both of these would add additional volume and warrant expansion of the system, yet would be financially justified. In fact it would advance your current strategy to migrate customer interactions as much as possible to lower cost channels."

"Out of the question," said a senior manager.

"Why?" I asked.

RETAIL BANK: LET'S ASK THE CUSTOMERS (continued)

"Because customers hate to be called at home," he said, referring to my suggestion that their call center equipment be levered as a revenue generator, rather than simply to handle inbound service calls.

"And customers who have called in to us on a service topic don't want us trying to sell them something," offered another executive, referring to my suggestion of cross-sell during a customer service call.

"Always?" I asked, incredulously.

"Always," came the chorus.

And based upon that customer myth, a major firm had invested tens of millions in call center equipment, but only used it as an expense item, to handle inbound customer inquiries as inexpensively as possible. Their belief in their knowledge of what customers want and don't want had caused them not to lever the equipment for other revenue-generating uses—and to never question that decision.

"That is a hypothesis," I said, and then wrote their beliefs on the boardroom flipchart:

1. Customers do not want to be contacted by telephone. Always.
2. Customers do not want to receive another offer during a call they initiated. Always.

"Let's test these. Let's ask your customers," I challenged.

A few weeks later, the bank had a new set of customer-focused initiatives based on actual feedback from their customers. A customer vision had been developed, outside-in, of an ideal bank

RETAIL BANK: LET'S ASK THE CUSTOMERS (continued)

and of the ideal customer experiences during touchpoint interactions with such a bank's telephone contact center. The customer-defined vision caused such excitement that within a week it appeared on a plaque on the wall behind the desk of the CEO, who also directed that it be placed in the elevators of their headquarters. One element of that vision was the customers' view of how the bank could provide great benefit to them by contacting them at home (under certain circumstances, which the customers would highly value). Another was their vision of how an offer of a product during a service conversation (cross-sell) would not only be appropriate, but actually appreciated.

Securing an actionable, outside-in vision of your business from your customer can enable you to stay up with newly emerging needs and wants and to overcome the myths you currently have that impact your effectiveness. I have seen the above phenomenon many, many times. Think about the extent to which you may have similar mistaken beliefs about customers that are impacting your business.

What are your beliefs about your customers—what they want, what they don't want—that drive your business practices and product or process designs? Perhaps these were once valid, but have now changed. Why not ask the customer?

What do you argue about among yourselves as a management team? Is there one group or executive within your organization who believes your customers want/don't want something while another group or executive strongly disagrees? Why not ask the customer directly?

These are all things that beg market research, in order to overcome your mistaken or outdated beliefs. Although there is no substitute for research with your actual customers, to help you get started, we will next look at a few customer myths.

The Ten Common Myths

OUR CUSTOMERS:

1. Want the lowest price—period
2. *Other* key wants are known by us
3. Cannot envision what does not exist
4. Do not want to be telephoned at home—always
5. Do not want to be sold to when they call us
6. Do not want to provide us personal information
7. Hate to be transferred when they call
8. Won't accept an apology, so don't do it
9. Are unique, and so are their needs
10. Their needs (not wants) are known by us

Figure 8.1 Ten common myths about your customers.

Myth 1:
Our customers want the lowest price—period.

A powerful concept to remember is that your product or service offering is rarely a commodity that can only be differentiated by price. The fact is that the savvy business can differentiate even a roll of steel, arguably one of the most rock-solid examples of a commodity. The traditional way to compete with a commodity is to lower your cost of manufacturing, and then lower the price to drive additional sales and "*make it up on volume*."

Consider how to attract and retain customers on a value proposition other than price: What about their purchasing process? Their accounts payable process? The service they receive? The value-added expert advice that can be given to help the customer better use that product? In many cases these can be leveraged to provide great value to differentiate a firm or product and can often warrant your higher price, although your competitors offer a lower price.

Myth 2:
We know what our customers want (or don't want).

Perhaps the greatest inhibitor to go beyond "Have a nice day" service platitudes is the belief within a firm that its prior history and years of experience result in perfect knowledge of what customers want and do not want. Virtually every firm at one time has felt it could skip the development of requirements via "customer visioning" and go straight to implementation of new processes and channels for customers. After all, the firm has been in that business for (insert number of decades here) and no one knows their customers better than they do.

There is, in fact, someone else who better knows what the customer wants—the customer! In order to develop an ideal, customer-defined future vision of the firm, there is no other substitute.

That does not mean that the company has no valuable information at all. Front-line, customer-facing personnel can be a valuable source of information regarding the *performance* of current processes, channels, and product or service offerings. Customer complaints and customer service contacts provide excellent feedback on what's not working. The important thing in those cases, however, is that the information still come directly from the customer, not from your intuition due to years of "being in the business."

However, over time it can become less clear which of your beliefs regarding customers is actual, literal customer feedback versus intuitive beliefs formed and reformed over the years. The result can be a strongly held set of beliefs, such as those of the bank contact center, that are rigidly driving the wrong actions. Even if you once knew exactly what your customers wanted, in the current environment of rapidly rising service levels, those desires are fast-changing and if you have no formal vehicles to monitor these, then you do not know them.

Finally, while front-line employees may know what customers like or dislike about current products and services, they often lack the ability to place themselves in the customer's position to envision creative new offerings and interactions that would appeal to deeply hidden or newly emerging customer value systems. By probing directly with the customers why they want things—and understanding how customers get value/benefit from the things they want—it is possible to jointly envision and develop creative, new breakthrough ideas. Which brings us to the next customer myth.

Myth 3: Customers cannot envision what does not exist; focus groups are a waste of money and, besides, no Sony customer ever envisioned the WalkMan.

This wonderful myth is born from many firms expending great sums on research, and sitting for hours behind one-way mirrors watching ineffective focus groups that yield little of value. Anything, done the wrong way, can be disappointing and ineffective, including focus groups.

It may be true that engineers, not customers, envisioned the Sony WalkMan. Probably no customer spontaneously said, "Eureka, I want to take my big console radio and strap it to my head for music while I am out jogging—if only engineers could reduce the size of the components and then come up with cool-looking headphones."

But that is not because customers lack the capability to envision things that do not exist. Rather, it is because market research techniques often do not generate a line of thinking that breaks the person out of using only currently available and existing things to develop their vision.[1]

With such approaches, Sony could have arrived at the same idea, probably earlier, and from a customer. And with such approaches, so can you.

Myth 4:
Customers do not want to be telephoned at home—always.

As the banking client learned, it is unwise to project your own personal prejudices, likes, and dislikes onto your customers. The bankers were far off the mark and did not understand what their customers truly wanted. When we asked the executives if they based their beliefs on actual customer input, their answer was, "Sure. We all have a wife or husband who is a customer."

Beyond the obvious issue of the statistical validity of a sample size of a half-dozen spouses, these bankers clearly had not read the chapter on segmentation to know that what one customer hates, another may actually like—or read the previous Myth 3 on how

1. At IBM, we developed approaches that helped a customer to go beyond the "what" that they wanted and focus on "why" and how they would receive value and benefit from it. A vision could then be developed of different, ideal delivery of that value or benefit (the why, not the what) unconstrained by currently existing products, processes, or technologies.

customers can methodically be led to develop a vision of how they might receive ideal value during an interaction. If the bankers had read these things, they might have tested their hypothesis themselves—with customers.

In fact, customers in visioning workshops for many different industries have stated that the primary problem with being contacted at home is that it is almost always by a blanket marketing program and not targeted to their specific interests. Customers hate to be contacted when the call has nothing uniquely to do with them, but is merely part of a mass-marketing campaign: "Don't call me about your great special on boat insurance if I don't own a boat!"

However, if a customer owns a particular investment product and something happens that could impact them personally—perhaps new legislation that could have tax implications—they would actually appreciate receiving a targeted, personalized, individual-specific contact. "Except during the dinner hour. Always."

Myth 5:
Customers do not want to be sold to when they telephone for service.

This is a common misconception resulting in missed opportunities in all industries to provide great customer value during touch-point interactions.

As with all these items, there is both opportunity and risk involved. The risk with this one is twofold: First, never try to sell a customer something until you have handled—to *their* satisfaction—whatever the issue was for which they originally called. Second, never make a generalized, mass-market, blanket offer. The opportunity here is reciprocal: After the customer's issue has been addressed, it is almost always appropriate to make them an offer as long as it is tailored and targeted to their personal interests and values. "Mr. Thompson, I'm glad we could resolve that for you. Before we end our discussion, I see that you are an avid golfer (perhaps Thompson used his credit card to charge a set of clubs or a golf cart rental). As you may know, our travel service department has a special offer for two nights at the Hilton in Myrtle Beach, with free golf, for only $99.00 next weekend. Would you be interested?"

Myth 6:
Customers do not want to give us information about themselves.

In today's world there are well-publicized and growing public concerns regarding the use of personal information. These include, but are certainly not limited to, real issues of invasion of privacy, breach of confidentiality, identity theft, and plain old irritation at being contacted by someone who has obtained one's phone number, postal address, or Internet address.

However, customers also place a high value on the benefits and value they can receive (see Myths 4 and 5 above) from targeted, individualized, and customer-specific interactions. For example, the term *tailored and personalized* crept into their vocabulary by the late 1990s. During the early 2000s, personalization moved from a distant rumble of occasional customer delight to a roar of expectations. And to receive the benefits of targeted, personalized products and services customers must now enable their vendor with relevant data about themselves. In return, the firm must secure the data (with controlled, employee-only, and role-appropriate access) and then use it only for the purposes for which it was provided. With these assurances, and some well-earned trust in your brand, customers will share information with you. This is a highly volatile and critical issue that represents both opportunity and risk to the extreme. Personalized interactions can literally become your most powerful loyalty generator, but if you misuse customer information and lose their trust, you can lose not only your customers, but also your market.

Myth *7*:
Customers who call hate to be transferred.

While this statement appears to be intuitively correct, the reality is actually counter-intuitive and it depends on why they are calling. If a customer contacts your firm for general information regarding your business, products, prices, and so on, they may well expect to get an answer from their first point of contact. However, if they want expert advice, they do not expect the first person who answers incoming calls to also be an expert in all things. In this case, a transfer of their call can actually reassure them they are going to the “right” person who has the expertise. However, that should occur with no more than one transfer.

Myth 8:
An apology is never enough (so we don't do it).

A common myth that drives the behavior of customer-facing employees is: Our customers don't want an apology; they only want some form of personal compensation or concession for mistakes. In many businesses that myth is not only accepted, culturally, but it is an actual business practice to never admit or take responsibility, for fear it would only encourage the customer to feel aggrieved and would somehow later be held against them.

This is almost universally incorrect. In fact, customers repeatedly say that the most powerful thing a firm can do after an error is to admit it—and apologize. However, in order to have the greatest effect, the apology should also be accompanied by assurance that action has been taken to insure the error will not occur again. For example, an apology during the customer interaction, followed by a letter from management that the reason for the mistake has been determined and that corrective measures are now in place, can actually increase loyalty. Customers are often delighted with how a firm responds to and corrects a mistake. Customer defections in those instances were actually less than the defection rate of customers who had experienced no problems at all.

Myth 9:
Our customers and their needs are unique.

Another common misconception is that customer needs for a given firm, industry, or geography are unique and quite different from those of other firms, industries, or geographies.

Virtually everyone needs responsive service, and easy, timely access to their vendors, irrespective of industry.[2] However, the customers of a stock brokerage will place a higher priority on quick and easy access to placing their orders than customers of a locomotive manufacturer. The customers of an accountant will more greatly demand precision than customers of a hair stylist, although it is a need shared by both.

Within an industry, customer segments will tend to have similar needs but different priorities, e.g., financial services where older people value safety over growth and younger ones tend to prefer taking risks in order to attain growth. Both groups need growth and safety, but to attract and retain each of them requires a dramatically different offering by the industry.

Beyond the prioritization or importance weighting differences, we also find that approximately 30 percent or so of the actual customer needs are often unique to a specific industry or customer set. What is important here is:

- A firm can begin its customer journey and focus on some basic needs that are relatively common to all customers (and which I will share with you in the next chapter).

2. When IBM established a global consulting business to help clients become customer centered, we also expected great differences in customer needs among the industries. To be sure, we found many differences, and some were critical to survival within a given industry or unique to a specific customer segment. But a powerful finding was that approximately 70 percent (my estimate) of the expressed needs from almost all customers were quite similar. What differed were their priorities.

- Once the firm can "walk" and provide such basic loyalty-driving needs, it can progress to "run," via market research to determine the 30 percent or so of unique needs and any prioritization differences that may be necessary to attract and retain segments.
- However, it is dangerous to then assume that when a business model is successful for one customer set that it can be cloned as "our standard set of corporate processes" and will work around the world. It's that 30 percent of variability that can still kill the business.

GLOBAL FINANCIAL SERVICES: THEY LOVE IT IN SYDNEY

The VP of business process engineering for a firm in Australia was deservedly proud of the standardized business processes that had been established across their Aussie locations. As a result, he said not only had costs been brought under control, but market share had improved. As we talked, however, he expressed frustration with a new venture they had recently started in Ireland. It seemed that the acquired firm's employees strongly resisted many of the standard processes, and customers were complaining and/or leaving.

What the company had failed to recognize was the 30 percent factor, and that the key wants and needs or priorities of their customers in Australia would not be the same as in Ireland.

Myth 10: We know what our customers need (not want . . . *need*).

This myth or misunderstanding is tightly linked to our earlier discussions that firms founded on their own internal expertise and product knowledge often continue to believe that, due to their product expertise, they are the experts on what customers *need*. This is quite different from the issue of what customers *want*. It assumes that product expertise equates to also knowing what is best for the customer. In fact, firms with extreme product competence may be even less likely than others to know the (changing) needs of their customers. These firms are also the ones less likely to have processes and competencies for listening, understanding, and responding to customers in a rapidly changing environment.

Beyond that, even the companies that listen to what customers want almost always lack the insight required to know and fully leverage what the customer actually *needs* and would most value. This is because only the customer completely understands how they get value or benefit from something they want, and that underlying benefit is *why they NEED it*. Understanding *what* they want is good. Understanding *why* they need it is critical to creatively develop new products and services to better meet those needs. And that is why the customers, not only the company, must be included in creative visioning of needs-based, future products and services (see Chapter 9, “What They Need: Customer Visioneering”).

E X E R C I S E

You Are the Customer

What about when you are the customer?

Do you always search out the lowest price? And do you always then purchase from that low-cost provider? Always?

If not, when have you bought something and known a similar item was available elsewhere and cheaper? Why? What was it that you valued greater than price?

Have you ever been contacted by phone, at home, and actually appreciated the call? Why? What was it that you valued greater than being undisturbed?

Have you ever received an offer or proposal, although you originally initiated the contact on a different subject, and appreciated it? Why? What makes it okay in your mind, even great, to be offered something (such as a product or service)?

When you contact a business, do you expect the first person that answers the phone to be able to answer questions or handle issues on any topic? Why or why not?

If you need advice on a complex matter such as investment products, do you expect to be transferred to reach an expert on that subject? If you were not transferred to someone who specialized in such a topic, would you be comfortable with and trust the answers you get?

Do you think the above is true only for financial issues, advice, and counsel? Or is it also true for other businesses—such as yours? For example, how secure are you that a salesperson can also give you accurate technical advice about the electronics under the hood of your new ZOT 12? Would you be happy if a single transfer could get you from the salesperson to the right technically knowledgeable person?

What if a business made a major mistake with your account? Would it be important to you that they apologized? What if they did not? What if they would not even admit to the error?

Can a vendor best envision new products or services to meet your *unexpressed future needs*, or would you need to apply your knowledge of *why* you need things and *how* you could get the greatest benefit or value? For example, can you envision teaming with a vendor and discussing why you want what you want and then together envisioning new ways they could better provide that benefit?

Could a firm that offers this **steal** away your business?

- What about *your* customers?
- Would they answer the above very differently?
- Are you treating them differently?