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## The Four Pillars of an “Effortless Experience” that Grows Customer Loyalty

Steve Sanduski: Many companies these days are trying to differentiate their products and brands by delivering an exceptional customer service experience. And, the thinking is that by delighting my customers and exceeding their expectations, that they're going to reward us with loyalty and repeat business.

Steve Sanduski: But, the reality is, this type of terrific service might make our clients feel good, but it has a low impact on loyalty or repeat business. Hello everybody, and welcome to the CEO Coaching International podcast. I'm your host Steve Sanduski, and my guest today is Matt Dixon. Matt is the chief product and research officer for Tethr, which is a company that uses software to help surface insights from customer phone calls.

Steve Sanduski: Matt is also the author of several great groundbreaking books, including the Challenger Sale, which was a number one Amazon and Wall Street Journal bestseller, that has sold nearly a million copies worldwide. He's also the author of the Challenger Customer, and the author of a book called the Effortless Experience, Conquering the New Battleground for Customer Loyalty, and it's this book that we're really going to spend the bulk of our time with today in our conversation.

Steve Sanduski: Matt was also a keynote speaker at the 2019 CEO Coaching International Summit. Today's conversation is filled with actionable insights on how you can make it easier for your customers to get their problems solved, and how that will turn into loyal customers and repeat business. There are so many gems in this conversation, so grab a notepad and let's jump into it with Matt Dixon. Matt, welcome to the show.

Matt Dixon: Well, thanks very much for having me. It's a pleasure to join you.

Steve Sanduski: Yeah, well, this is great to have you here. So, you were a keynote speaker at a CEO Coaching International Summit event and you did a fantastic job and so we've got you here on the podcast, which is awesome, and we're going to be talking about one of the books that you wrote, which is called the Effortless

Experience, Conquering the New Battleground for Customer Loyalty. So, why don't we start there. Why don't you tell me what is the book about?

Matt Dixon: Sure. So, Steve, we wrote that book back in 2013 and it was really the culmination of I think about ... the research project itself was probably about a decade long, and at one point, I think we decided to pull up and shoot, that we had enough data to actually put it in book form, and so that was around 2013. But, the research really continues.

Matt Dixon: Really, what it's about is about the impact that service moments have on a customer's loyalty, and I think the conventional wisdom out there, if you browse the book aisle, I would say browse the book aisle at Barnes & Noble, but I don't know that you can do that anymore. But, maybe browse the book section on Amazon around customer experience or customer service.

Matt Dixon: Much of what you'll find is exhorting leaders to go out and delight your customers and wow your customers and provide this over the top service. And, this becomes the stuff of legend really, whether it's the woman returning the snow tires at the Nordstrom's men's department, or it's the 15 hour long phone call that you had with Zappos. This the stuff that companies look toward as a guiding light in terms of what it means to deliver service that can make customers more loyal to a brand.

Matt Dixon: And what we found in a study, a global study of customers who had service interactions with companies was that, and this is quite a head scratcher for us. Our goal was, when we went out to study this, to understand what are the most leveraged ways to delight your customers. But, what came back from our data team was that delight itself as a strategy is actually flawed.

Matt Dixon: In fact, we found that customers who were delighted by companies were actually no more loyal than those customers whose expectations were simply met. And so, there were two big surprises there. One is, simply meeting customer expectations actually does a lot of good. Delivering exactly what the customer expects in a consistent, predictable way, delivers a lot of loyalty benefit.

Matt Dixon: But, the other big surprise is that as we go past that point of meets expectations, and we try to exceed the customers' expectations, the customer doesn't pay us back with their loyalty, so they're no more likely to buy again from us. They're no more likely to spend more with us, and they're no more likely to say good things about us to their friends, their family, their coworkers.

Matt Dixon: So, that was a head scratcher and that turned what was supposed to a six month study into a 10 year study, because try as we did, we couldn't make that finding go away. And so, with just decided to explore that in more detail. And so, the findings then came in a fast and furious way.

Matt Dixon: So, the first thing we found as we started to unpack this is, look if service moments don't, above and beyond service moments don't actually create more loyalty, what is the impact? We just went back to basics and asked, "What is the impact that service interaction has on a customer's loyalty."

Matt Dixon: And, what we found was disheartening, is that on average, any service interaction's almost four times more likely to create customer disloyalty than to create loyalty. And then, when you unpack that even further and you ask, "Well, what are the things that companies are doing to make their customers that unhappy with them, that disloyal to them," it turned out to be a list of usual suspects of bad customer service and bad customer experience.

Matt Dixon: It's things like when we cause our customers to call us back over and over again to chase down the answer to their problem, or when they call us and we can't help them, then we decide to transfer them to another part of the company, or we ask them to repeat themselves. Whether that's big stuff, like telling their story over and over again, or small stuff like when you call in and you key in your account number and then the first question the rep asks you is, "Hey Steve, can I get your account number?"

Matt Dixon: Things like, sending you to a website or app, where you think you might be able to solve your problem, but you can't find what you're looking for, or you find what you're looking for, but you don't really understand it and so bail out. You pick up the phone to call. Maybe it's treating customers in a generic or robotic way or simply throwing up policies and procedures that don't make sense to customers and feel to customers like obstacles that are put in place simply to frustrate them.

Matt Dixon: So, when we looked at that list, these are the drivers of that disloyalty. What jumped out to us was this concept of customer effort and this is where the idea of the effortless experience comes from. Because all those things, whether it's call backs or transfers or channel switching or telling your story over and over again, it all boils down to the work that we put on the customer's plate to get their problems resolved.

Matt Dixon: And, these are problems that we as companies created for our customers, because the thing the customer bought from us, whether a product or a service, is not doing what the customer needs it to do. It's not doing what they expect and they need our help to fix things, to get things back on track.

Matt Dixon: And then, we run them through that gristmill. We cause them to go to the website, get frustrated and then pick up the phone and call. We transfer them. We cause them to call us back over and over again. And so, no surprise, at the end of those interactions, they are actually more disloyal to us than they were before they had those service needs.

Matt Dixon: And so, the big takeaway was, look, rather than try to make your customers more loyal to you by providing this wow moment, this delightful moment in a service interaction, the better strategy is to actually play great defense, to try to mitigate disloyalty by reducing customer effort, by making the service moment easier than your customers expect it to be.

Matt Dixon: So, most of the book is actually about the practices that we uncovered. We found there are four pillars of the things that easy to do business with low effort companies do, that every other company can learn from. In the course of this conversation, we can talk more about those, but that was, I think while the data itself was interesting to study hundreds of thousands of customer interactions and find out that a lot of the conventional wisdom out there is actually wrong when it comes to the impact of service and loyalty.

Matt Dixon: Where it gets really tangible, I when you start to identify those companies in the data, who in the eyes of customers, they get it right. They're doing things differently. And when you act dig into what they're doing, it's not that they're spending more money or they're doing things that are that outlandish or that far afield, they're just thinking about the customer experience in a very different way. And so again, we got down to a set of practical concepts in best practices that companies could roll out and everyone can benefit from.

Steve Sanduski: So, a lot to unpack there. So, let me just give you an example. So, roughly 10 years ago, I used to fly an airline called Midwest Airlines, would take it technically from Milwaukee, Wisconsin to Omaha, Nebraska. Well, one of the cool things about Midwest Airlines is, they had all leather seats and they served-

Matt Dixon: That was the chocolate chip cookie-

Steve Sanduski: And the chocolate chip cookies, absolutely.

Matt Dixon: I remember that. Yeah.

Steve Sanduski: And, I would always look forward to flying on Midwest Airlines, because the second I stepped into that plane, I get a whiff of those cookies that are baking there, and it was just ... I always looked forward to that. So, to me, that was a real delight moment.

Matt Dixon: Sure, of course.

Steve Sanduski: And I would typically, I'd go out of my way to fly Midwest Airlines, as long as it wasn't too inconvenient. So, that kept me loyal. But what I hear you saying is, correct me if I'm wrong, but it sounds like as long as I don't have a service problem with Midwest Airlines, then this thing with the chocolate chip cookies, it's a delightful thing.

Steve Sanduski: For me personally it was keeping me loyal, but I think what I hear you saying is, if I did have a service issue, and Midwest messed up the service situation there, maybe I had to call three different people or maybe they kept switching me when I was calling customer service, that the frustration of a miscue on the service side would outweigh any pleasure I got from those chocolate chip cookies. Is that basically what you're saying here?

Matt Dixon: Yeah. You've hit on a really important distinction here. So, one question I often get is, so are you telling me there's no point in delighting customers? And I think you have to be really careful, because if there's no point in delighting your customers, whether it's with a great product, a great brand, fantastic store experience, really competitive price, a convenience factor that trumps all of the other options out there, if you're not delighting your customers some way, there's no point in being in business, and so what I always say is, "Look, there are lot of places you want to play offense when it comes to loyalty. Have a great product. Have a great store experience."

Matt Dixon: In the case of Midwest, have a fantastic in flight experience with really comfortable seats and delicious cookies. That's the product that Midwest was selling. But, when things go wrong with that product, when your bag is lost, when your flight is canceled, when you're charged a duplicate fee for the wifi, whatever it is, in those moments, customers actually don't want to be delighted. They actually simply want you to take care of the problems so they can get back to what they were doing before, which is doing their jobs, spending times with friends and family and other things.

Matt Dixon: And so, it's an important distinction there that yes, you definitely want to spend your delight dollars on the things that matter. Play great offense on your product, on your brand, on your pricing, on your live store experience or your inflight experience, but when things go wrong, that's the time to make things easy and to reduce customer effort.

Matt Dixon: The last thing we want to do as companies is fill up this bucket with all this good will, the great comfy leather seats, the chocolate cookie, the great inflight experience, the cool brand, and then have customer service fumble the ball and drill a hole in the bottom of that loyalty bucket and let it all seep out when something goes wrong. And so again, it's play offense, but also play great defense when it comes to handling customer issues in a low effort way.

Steve Sanduski: Well, and continuing with this airline example, so about 10 years ago, like I said, Midwest stopped and I think when the economic crisis came, they ended up getting sold, and ultimately they ended up in Frontier Airlines. And so not too long after that, I was flying Frontier, I get to the counter there in Milwaukee, and I'm trying to go from Milwaukee to San Francisco, because I had a meeting that afternoon in San Francisco.

Steve Sanduski: And so, I get to the counter first thing in the morning and the person behind the counter at Frontier says, "Were you trying to get on the 8:15 flight?" And I said, "Yeah." And she says, "That door just closed." She looked at my ticket and she said, "Actually, your ticket is for 8:15 this evening, not this morning."

Steve Sanduski: So, I made the huge mistake of booking the p.m. flight instead of what I thought was the a.m. flight, and I'm like, "Oh my gosh, I got to be in San Francisco this afternoon for this meeting." And she says, "Hold on, let me see what I can do." So, she's doing her razzmatazz and then she comes back and she says, "Okay, I can get you on this flight with this other airline and it leaves in 45 minutes, so you're going to have to hurry and get over there."

Steve Sanduski: And I said, "Great." And then she says, "But I got one piece of bad news." And I said, "Well, what's that?" She said, "I'm going to have to charge you \$25 because I've got to print out the ticket." And I said, "Sold." So, she set-

Matt Dixon: Stun and done.

Steve Sanduski: Yeah, exactly. And so, there was a great service. They got me on another airline. They didn't have to do that. It was my mistake. And so, here I am ... and I even went so far as, I said, "I'd really like to get your name, because I want to send the president of your company a letter at what a wonderful job you did." And, I actually did that. So yeah, so the service absolutely can make you loyal when they do something like that.

Matt Dixon: Yeah, and what's so interesting, what I hear in that ... it's funny. I had a lot of folks who will cite, because there certainly are companies that are out there talking about these over the top service moments. Zappos is one of the companies where quite famously, will talk about how there's no handle time clock for their call center reps.

Matt Dixon: They're not scripted. They're told to spend as much time as the customer desires on the phone and there are these, I think the reps have an ongoing contest for who can spend the most time on the phone with a customer, and I think the current record is 14 or 15 hours straight, where other people had to come in and talk to the customer for a little bit so the rep could go hit the rest room or go eat lunch and then they come back and the customer's still there talking about their life story. It's just this fun thing, and they throw it out there as ... and they talk about it.

Matt Dixon: It says right on the box, powered by service. It's this over the top service that you'll experience from them. I could call Zappos now and order a pizza delivered to my house even though they don't sell pizzas, or I could ask what the temperature is on Venus, even though they're not astronomers or space explorers, but they would tell me because that's the no questions asked, the customer's always right.

Matt Dixon: And so, people will often hold this up to me and say, "Well, Zappos is a counterpoint, because they're whole brand is about service." I always ask them, I say, "Well, why do you buy shoes from Zappos," and they almost always go to, it's not that I could spend 15 hours on the phone with a call center rep or I could ask what the temperature is on Venus, it's that they make shoe buying really easy.

Matt Dixon: I don't have to go the mall. I don't have to go to the shoe store. I can buy a bunch of shoes, returns are covered. I send them back. I see all the reviews. I know the pricing is as good as you get anywhere else on line. It saves me a trip. The stuff shows up tomorrow. I try it on. I send the ones I don't like back.

Matt Dixon: It's like, right, so you like them because they make shoe buying effortless, not because you're going to spend 15 hours on the phone with their rep. So again, and what you described, what I heard in your story was very much an experience that was probably easier than you expected it to be.

Matt Dixon: What a joy to be told, apologetically, "Steve, I'm so sorry. I'm going to have to charge you 25 bucks for this," when what's going through your head is, "Oh man, I am just going to get absolutely stuck here for making a really innocent mistake, which is choosing the 8:15 p.m. flight instead of the a.m. flight. And, they're going to stick me with a change fee and I'm going to have to take a bus to San Francisco, and this is just going to be awful. And then I'm going to have to reschedule my business meeting and all this stuff." And, this rep actually created an experience that was way easier than you probably expected it to be, right as your shoulders are starting to tense up and you're thinking, "Man I'm going to get hosed here," and you didn't.

Steve Sanduski: Yeah. So yeah, it was a great experience there. Doesn't happen very often with the airlines.

Matt Dixon: No, it doesn't. It doesn't.

Steve Sanduski: But, it did there. All right. So the research, you talked about how this delight strategy doesn't necessarily pay, that you've got to play the defense. You've got to do all the blocking and tackling and not drop your basic service levels.

Steve Sanduski: And then, I think some of your research also showed that satisfaction doesn't predict loyalty very well. I know we hear things like the net promoter score survey and we want to have high customer satisfaction. So, what does your research show as it relates to customer satisfaction? Does that predict anything?

Matt Dixon: Yeah, great question. So, we found that satisfaction, people we talk to, and we may talk about it in this conversation, start to get into some of that question about metrics and how do we measure the customer experience. And,

satisfaction's been a really popular metric especially in the service world for a very, very long time.

Matt Dixon: You'd be hard pressed to find a post call survey, when they say, "Hey would you stay on the line to take the survey," or if they email you a survey after your phone interaction that doesn't include some question around satisfaction, whether that's satisfaction with the company, satisfaction with its satisfaction with the representative who handle your issue.

Matt Dixon: If the company's been asking this for a really long time, then much like the work that Fred Reichheld did when he unveiled the Net Promoter Score. We found very much the same thing, which is there's very little correlation between satisfaction and loyalty. And, what that means in lay person's terms is, satisfied customers leave all the time and dissatisfied customers stay all the time.

Matt Dixon: And so, there's more to it than that. What we actually found is that there's a great trifecta of metrics, or if you think about measuring the customer experience, the best way I've always told leaders to think about this is, if you want to use a metric like a Net Promoter Score that asks how willing are you to recommend Midwest Airlines or name any other company.

Matt Dixon: That is great. It captures a lot of sentiment regarding the product experience, the brand as well as the customer service experience in the broader customer journey you're having with that organization. It reflects how much you think of that company relative to competitors out there in the marketplace.

Matt Dixon: There's a lot stuff in there, but that's also the shortcoming at that question is it's very noisy. There's a lot to it. In a service interaction, we also want to ask about how easy did we make this interaction for you. How easy do we make it for you to handle your issue or to get your problem fixed.

Matt Dixon: And then lastly, we call that the Customer Effort Score, which is, and I think there have been some advances that maybe we'll talk about in terms of how we understand effort. But, that is really powerful in a transactional moment like the moment you described when you had to change your flight, or that moment where my bag's been lost and I've got to track it down and where is it, and when am I going to get it.

Matt Dixon: In the service moments, understanding the effort level of that experience is very, very predictive of loyalty. Then the third question would be, how satisfied are you with the answer you got, with ultimately what we delivered as the resolution to your problem or your request.

Matt Dixon: Those three things together prove to be very predictive of loyalty, and so there is no silver bullet there and again, as I mentioned before, there's some serious advances happening in the way we understand the customer experience. But, to your question, yeah we did find that that satisfaction metric or that satisfaction



question can actually be pretty misleading, and sometimes give us a false sense of security about yeah, these customers who have service interactions and they all say they're satisfied, does not mean that they're all going to stay with us, that they're all going to buy more from us and that they're not going to leave for a competitor, or that they're frankly going to go out to the next cocktail party and say great things about us.

Matt Dixon: They may be just as likely to say bad things about us and have nothing to do with that. That service interaction left me very satisfied. I hate your company though. That's a different question. And so, you've got to be very careful about relying on those sole metrics.

Steve Sanduski: And then, a couple more of your findings, and I think you've touched on these. A third one was, you said customer service interactions drive more disloyalty than loyalty and I think you touched on that and then a fourth one was, the key to mitigating disloyalty is to reduce customer effort.

Matt Dixon: That's right.

Steve Sanduski: You can talk a little bit about that. So, what are some of the examples or maybe principles of companies that exhibit this low effort service? How do we think about, if I want to make it as easy as possible for a customer to do business with me, what should I be thinking of as a business owner, as a CEO, how should I be structuring my business to make it as effortless as possible?

Matt Dixon: Sure, and so here I'll specifically talk about what we found in our research, and again, we're talking here about service moments, when things have gone wrong and you've got to reach out to the company, which is, I think most of the and most folks who study this space would agree, is a real moment of truth in the customer experience.

Matt Dixon: It dictates a lot whether you're going to stay or whether you're going to go. And, if you're going to stay, are you actually going to buy more and give more of that share of wallet to the company and advocate for the company. What we found is, there were four things that low effort company did and I think every company can learn from.

Matt Dixon: So the four things were, the first one is channel stickiness. So, this is the idea that, and low effort companies really understand this, that the world has shifted dramatically in terms of how customers want to engage with companies today.

Matt Dixon: So, it used to be that there were not a lot of options, but today with digital, with apps, with websites, with virtual assistants and the like, customers actually, we find, are far more likely to try a self service option than to try a live service options. In fact, we found in our research, that customers are statistically indifferent when it comes to whether they self serve on a problem, or whether they actually talk to somebody. In fact, we found that more often than not, even

when issues are urgent, customers are still going to go and try to self serve on that issue before they pick up the phone and call.

Matt Dixon: People ask me all the time, why do I think this is, and I think if you get down to it, I think the reality is that the phone interaction for most companies hasn't changed a whole lot in 30 years, but the digital experience has changed dramatically even this year as compared to last year. The kinds of things that you and I can do in terms of self service and digital capabilities is leaps and bounds beyond what we could do just a few short years ago.

Matt Dixon: And so, customers like that control. They like that they can solve a problem or be in a chat interaction with a representative the same time that they're doing something else. It really does allow them to multi task and take control of these interactions.

Matt Dixon: But here's the thing, we find low effort companies understand that being good at self service, because the reality is you hear a lot of companies say, "Hey, we spend a lot of money on digital and self service, and our call volume doesn't go down at all. In fact, sometimes we launch these new capabilities and our call volume goes up, not down.

Matt Dixon: What low effort companies understand is, it's all about getting your customers to stay in that channel that they first choose, so channel stickiness. And how do you do that? A lot of it really comes down to some pretty simple stuff which is providing more of a simple guided experience for your customer on your website or on your app.

Matt Dixon: Customers don't want to go to digital channels like websites or apps and have a, choose your own adventure. What they want is to get guidance from the companies they're doing business with, who see these problems every day and who can provide some really structured guidance around here is the easiest way to solve this problem which may be a different path from solving a different problem.

Matt Dixon: These companies also obsess over simplicity of things like language. So, I'll give you a really quick example here, but one company we write about in the book is Travelocity. They do a really nice job here. They don't spend any more on digital self service than any other company, but they get it right in the way that other companies don't, and a big key to getting it right for them is that they really write in very simple terms on their website.

Matt Dixon: So, they actually told us that one of the most impactful self service investments they ever made was when they hired a team of English majors out of college and had them rewrite everything on their website. And, they made really small tweaks because what they found was, they can never figure why is it that our customers are calling all the time, asking how many bags they can check, or what's the maximum size of a bag that they could put in the overhead

compartment versus having to pay to check in on a flight, and the answer's right there on the front page of the website. It's right in the FAQs and they could never figure this out.

Matt Dixon: And then, when they actually studied the language they use, they realized, "Well, it's because we're using slightly different terms. We talk about luggage, but customers don't think about luggage. That's a suitcase that your grandparents had. It's not the backpack that you have, and so you're a little confused, so you pick up the phone and call."

Matt Dixon: So, they simplified their language and they got it down to a ... they told us, a fifth or sixth grade reading level, and they found that when they make it really simple, it stuck, and customers understood the answers they had been given and then they stopped calling with these questions to pretty commonplace, or inquiries about commonplace questions or issues. They started self serving on these things.

Matt Dixon: So, the stuff we need to do to create a sticky channel experience, a sticky self service experience, it doesn't have to be expensive. It doesn't have to be complicated. A lot of it is really about providing that streamlined guided experience and not leaving it up to the customer to choose their own adventure.

Matt Dixon: So, that was the first pillar. The second pillar is a concept we call next issue avoidance. So, many companies and service focus on this metric of what we call first contact resolution. This has held up as the gold standard, which is that means the degree to which a company can solve an issue in one contact, in one hour that doesn't require a callback from the customer, what we found is best companies, low effort companies, don't just focus on solving the issue that you are I call in about. They're thinking one step ahead for the customer in their forward resolving the issue the customer might call back about.

Matt Dixon: So in other words, you or I might call in to get a problem fixed, but we might get off the phone and realize, "Wow, the agent did what we asked them to do. We solved this problem, but now I'm getting this other error message, where now solving that problem, created another problem.

Matt Dixon: The best companies and best reps understand that oftentimes solving one problem leads to other questions and other problems. And so, they proactively take that extra time to alert the customer and forward address those downstream issues that the customer themselves is not aware of because they don't work in our company and they don't know our products and services in the same way we do.

Matt Dixon: So, they think proactively and one step ahead for the customer. They think less in terms of first contact resolution and more in terms of next issue avoidance. The third concept is something we call experience engineering. Now, experience

engineering is ... this is interesting. We found that effort, when you get down to it in the mind of the customer, a lot of it is, yeah, it has to do with the things I have to do as a customer, that I go to a website and then I get frustrated and I have to pick up the phone and call, that I have to call back five times to chase down an answer to my problem, that I get transferred, stuff like that.

Matt Dixon: I think of those as the physical steps of getting a problem fixed. But it turns out, that those physical steps were only one third of the effort calculus for customers. Two-thirds of it was less about what the customer has to do, and more about how they felt about what they had to do. So, it's their perception of the experience.

Matt Dixon: And, when you get down to it, that perception has to do with the language that representatives use to communicate often bad news to customers. And so, we study this series of language techniques and we've found that best companies are teaching their reps stuff that's way beyond the basic soft skills training that most reps get, which is be nice to the customer, smile through the phone, thank her for her loyalty and much more about using language rooted in behavioral economics and human psychology designed to get the customer to be more accepting sometimes of bad news.

Matt Dixon: In a chapter in the book we say, just because there's nothing you can do, doesn't mean there's nothing you can do. There's in fact, a lot you can do to manage the customer's perception of effort in that experience. And then, the last pillar was, it comes down to the kinds of people we hire and the way we manage our reps.

Matt Dixon: One of the things we've found was, in a global study, we found that all service professionals fall into one of seven different profiles. I'm not going to go through all seven, but suffice it to say there was one that jumped off the page, and that's the empathizer. This is the people person, the person who loves the customer, they love on the customer, they hug the customer. They genuinely feel bad that the customer's experiencing a problem.

Matt Dixon: And, these are, if you look at the current service population around the world, these folks dominate in terms of who's currently in contact center and service jobs today. They're also the most preferred hiring profiles. So, if you ask hiring managers their number one by a long shot of seven profiles, 45% of hiring managers said, "I would hire an empathizer with my next open position."

Matt Dixon: But it turns out, they're actually not the best at delivering a low effort experience. It was a different profile, one we call the controller, and just in the interest of time, the controller would probably be described his or her colleagues as a sharp elbowed opinionated know it all. But, this person really, they relish in their subject matter expertise. They know the company's products and services. They've seen it all before.

Matt Dixon: They take that customer by the hand who's frustrated and confused and upset, and they drag her across the finish line and get her to victory. And, the thing it tells us about the customer experience is that in a world where customers are going and they're trying to self serve and they're trying to find a hack online in YouTube or somewhere else, and they finally give up and they pick up the phone and they call, the last thing they want in that moment is an apology.

Matt Dixon: An apology is what the empathizer leads with. What they want in that moment is to talk to somebody who's actually smarter than they are about the issues they're experiencing, somebody who can take them by the hand and pull them across the finish line to victory and it tells us a lot about what the customer expects today and how a lot of the conventional wisdom around hiring is wrong.

Matt Dixon: There's a whole knock on set of implications there around, okay, if we hire a bunch of sharp elbowed opinionated know it alls, can we manage these folks in the same way that we manage contact center people and service people for years, with scripts and checklists and handle time clocks, and the answer is no.

Matt Dixon: You've really got to rethink the entire apparatus of how we organize the service department so that these people we hire, these subject matter experts who deliver a great low effort expert, so that they thrive in their jobs and they want to stay and they're not churning out in a revolving door kind of fashion. So, those were the big four takeaways, channel stickiness, next issue avoidance, engineering the experience with language, and then hiring controllers and giving those controllers more control over the experience.

Steve Sanduski: Well, just really important insights in there for all the folks listening to this that you can implement and really deliver more of a low effort service and that third one, you talked about engineering the experience and using some of the behavioral psychology ideas. I think that's what the person from Frontier Islands was doing with me when she said, "But I do have one piece of bad news here," and she's setting me up. I'm like, "Oh, I'm going to have a \$200 change fee and whatever." It's like, "I'm going to have to charge you \$25 to print the ticket."

Matt Dixon: You know what she was doing there. We actually tested this technique. What she was doing was anchoring, which is how you sequence ... you put an answer or an option that you know you're going to ... she knew she was going to have to charge you 25 bucks, but in your mind, you had already, she anchored you on the fact that it might actually be worse than it actually ended up being, and so it made you actually thankful for having to pay 25 bucks, which as you said, was way better than having to pay that \$200 change fee that your mind immediate went to.

Matt Dixon: So yeah, that's a very powerful technique. I'll give another example here. A cable company I've worked with over the years, one of the big ones you'd all know by name, they use a similar technique where, let's say my TV or my internet is out, and I call up and we all know what happens next. The cable

company says, "Well, we can come out tomorrow, but it's an all day service window," and then you've got to call your boss and explain that you're working from home. It just throws a whole wrench in your day.

Matt Dixon: And, you always know the service technician shows up an hour after the service window was closed. They show up at 6:00 p.m. instead of 5:00 p.m. and you sat there all day, and it's super frustrating.

Matt Dixon: So, what they do now is ... but for the cable company, it's way more efficient to schedule all day service windows, because from a truck roll and a logistics perspective and operational perspective, it's way more efficient to have customers agree to that it gives them much more operating flexibility. So, they know that's the answer they want the customer to pick but the way they get customers to agree to it and not balk at the suggestion is they say, "Well, Steve I know your wifi's out, your internet's out. I have two options for you. One is, we can come three days from now. You can pick your window within an hour. It's a scheduled window so you can schedule it around your availability, but you have to wait three days to get things back up and running, or I can roll a truck out to your house tomorrow, but it's an all day window and you'll have to be around to be there when the tech arrives."

Matt Dixon: When customers know they might have to wait three days, all of them gladly and thankfully pick that all day service window, where if that was the only option they were given, they would complain about it. So, another example of the anchoring at work.

Steve Sanduski: Yeah, and boy, don't get me started on the cable companies. They're the worst. When I have to call them, because I can't find something online, I call and I'm not kidding. One time I sat down and I wrote down how many different levels did I have to go through on the phone tree, so press one for this. Press two for that. Well then, you press two. Press one for this. Press two for that, press three. Then I press three.

Steve Sanduski: I literally went through five levels deep on their phone tree and then it says the current wait time is 45 minutes. I'm like, "Oh my gosh. I just went through five levels for you to tell me it's 45 minutes." And then, I started to breathe a sigh of relief when some of these companies started saying your current hold time is 45 minutes, however, if you'd like we can call you back. You can hang up. We'll call you back and you won't lose your place in line. So, that was a nice advancement.

Matt Dixon: Oh yeah, absolutely. Absolutely. And I'll give you a different example and I found this very transformative. So, I had an experience, slightly different than that one, but I totally understand how that can be, going through all those levels super frustrating, but having that option of, hey, put your name in queue and we'll call you back and you won't lose your spot in line. It's a breath of fresh air.

Matt Dixon: I had a similar experience where my home internet was down and I was trying to do something for which I am eminently unqualified to do and I screwed up my whole router and my home network and it took three or four phone calls to my cable company to try to get the problem resolved and every single call I had to go through that phone tree you just described.

Matt Dixon: They didn't have the call back option and every single person I got on the phone ran me through the same basic checklist. Is it plugged in? Did you install the latest software? And, I'm sitting here and I'm just super frustrated saying, "I did that. I told the person yesterday I did that. You've gotten this much right in front of you."

Matt Dixon: What happened though, it was interesting. When I was about to call the fourth time, the system must have detected that I had called multiple times in prior few days, and it actually said, in the IVR it said, "Are you calling about the same issue you called about yesterday?" And it said, "Hit one for yes, two if it's a new issue," and I hit one for yes, and it auto escalated me to a tier three engineer who the first thing he said when he answered the phone, he goes, "Wow, you've had to call us a lot this week haven't you?"

Steve Sanduski: Wow. That's good.

Matt Dixon: And, I laughed and he goes, "I got all these notes in front of me. Let's take it back and what's going on. Tell me what's going on, and tell me what you already did, because I'm not going to ask you to check whether the thing's powered on. I'm pretty sure you already did that. I was like, "Yeah, thanks."

Matt Dixon: And then, I explained everything I'd done. I got it all off my chest and they said, "Well, I don't know how it got to this point and why it took you four phone calls, but I'm glad you got me because," he's like, "I'm the smartest guy in this place ..." he was a real controller and he took control of that situation.

Matt Dixon: The irony is he didn't fix the problem. He had to roll a truck out to my house anyway. But that whole cathartic moment of hearing me out and then instilling the confidence that I've seen this problem before. We're going to get it resolved. Worst case scenario, we're going to get a truck out to your house and I'll get it there by tomorrow morning.

Matt Dixon: Don't worry about it. I have the authority to do that. It was just, my shoulders relaxed and I was like, "Wow, finally I get somebody who understands the pain and frustration I'm experiencing and can own this thing and get it done for me."

Steve Sanduski: Yeah, we could talk all day about service experiences and I got another one. Maybe we'll save that for another call, but I do want to get to what you're doing right now at Tethr. And, you have some technology, so tell me a little bit about what you're doing at Tethr and how that's helping the companies that you guys are working with?

Matt Dixon: Yeah, so Tethr is an AI venture and I think actually, you probably can't swing a stick at an industry conference without hitting somebody with AI in their description. It's a term du jour. But, what we do specifically is we basically help companies surface meaning and insight from their, actionable insight, from their unstructured data.

Matt Dixon: So, whether that's their recorded phone conversations, when you call up a company and they say this call may be recorded for quality assurance and training purposes, companies record, in some cases, small end, thousands of calls in a given month or year, to billions of calls if you're a really big company.

Matt Dixon: And, a lot of that data never gets used for anything. But what companies have realized now is that in today's day and age, the way that they used to get feedback from their customers by deploying surveys and asking them to say, "Hey, how easy did we make this? How willing are you to recommend us? Hey, how satisfied are you with this experience?"

Matt Dixon: Customers just aren't filling those surveys out in the way they once did and in fact, I hear from most companies that their survey response rate is, on a good day, 10%, but more likely closer to that high single digits on average. And, it's just hard to find actionable insight when customers aren't telling us what their experience is.

Matt Dixon: And so, what we help companies do is, surface insight across all of their interactions so, one of the ways we do that is that we have a predictive scoring model so a company that records phone calls, they ship us all their phone conversations, or maybe it's chat interactions, or maybe it's email if that's the way they engage with their customers.

Matt Dixon: They ship us all that conversational data, and then we score every single one of those, we use a machine learning algorithm to score the level of effort in every single one of those interactions. And so, what that tells you right away is, here are the 15% of my customers who are really ticked off, who had a really awful experience, and I need to close a loop with those folks.

Matt Dixon: I need to reach out and say, "Hey, we know on our end that something wasn't right here. Something went wrong. We missed the mark. Help us with some feedback. What can we do to get better. How can we solve this problem?" Or, it helps us surface those folks, those front line folks who are maybe saying and doing things that are increasing effort for our customers, instead of reducing it. But one of the behaviors we want to coach to, we want to help get each of our individuals, our customer facing folks better at, or it helps us figure out the systemic failures.

Matt Dixon: Is it problems with our website or problems with our product, or maybe problems with our store experience, or our supply chain or something like that



that's frustrating our customers, things that I can't control in the service organization, but I need to partner with my business colleagues to go and fix.

Matt Dixon: So, scoring every single one of those interactions, suddenly, you're not relying on low response rate surveys and you have no bias in the data because every single interaction gets scored and you have tons of rich actual verbatim to get after in terms of fixing, whether it's agent behaviors on the front line, whether it's systemic failures, whether it's closing a loop with those customers who might be at risk of churning out.

Matt Dixon: So, we're really, in short, really trying to bring effort to life using the latest technology because our view is, I talked about before this customer effort score, that was a metric we wrote about in the book and it became really popular with CX leaders and customer service leaders, the fact that you have asking a customer on a survey how hard was it for you to solve your problem, or how easy did we make it for you to solve your problem, but it relies on customers filling out surveys to understand the experience they're having.

Matt Dixon: And, somebody told me once said, I think a number of years ago said, "Don't you think it's ironic to, in a survey, have to ask a customer how much effort the experience was when you just recorded the entire 30 minute phone call and all of the customer's frustration is captured? Can't you just figure that out without having to ask the customer to repeat themselves. Don't you think that's a high effort experience for the customer to ask them to fill out your survey?"

Matt Dixon: And, it was a little bit like a knife in the heart, and I was like, "Yeah, but it's a pretty good point actually. It is another level of effort." And the truth is, I don't fill out surveys anymore and most people I talk to don't fill them out the way they once did, and we don't need to anymore.

Matt Dixon: We have access to this data. It's a brave new world in terms of understanding the customer experience. And, I think a lot of companies assume, well this must be really expensive stuff, but it really isn't. The cost of doing this come way down. It's way faster, really not the realm of data scientists anymore, but really, just front line practitioners who can actually leverage some of these tools and these technologies to understand the customer experience and what's broken in it and how to close those gaps.

Matt Dixon: So, that's what we're doing at Tethr and it's pretty fun. It's exciting work, working with some companies up and down the continuum, big Fortune 50 brands, but also some more SMB enterprises, and having a lot of fun doing it.

Steve Sanduski: Yeah, and have you seen any trends in the data? For example, are there certain industries that tend to have either high effort scores or low effort scores and then within that, what are some of the biggest challenges that companies have in terms of the areas where they're making it the most difficult or the most effort for the customer to work with them?

Matt Dixon: Yeah, great question. So, I would say that, so the range of, what we like to focus on is the percentage of difficult calls. So, the way our scoring algorithm works is it's a zero to 10 scale, and it goes to one decimal point, so you might have a 5.2 or a 6.8 or something like that.

Matt Dixon: It normalizes right around a five, and those are the calls between four and six frankly that are neither terribly good, nor terribly bad. They're just in the middle.

Steve Sanduski: So, is 10 a high effort, or 10 is low effort? Which is the good end?

Matt Dixon: Great question. So, 10 is the good end and we did that on purpose because it is the higher end, but people associate high numbers with good scores, just like the Net Promoter Score. So, we didn't try to mess with the world's mindset.

Matt Dixon: For us, a score between seven and 10, those are great conversations. Those are customers, by the way, who, if you didn't try to sell them something else in that interaction, you should put them into a marketing campaign and reach out to them right away, because they're feeling great about you and your brand and what you've done for them, and that's a great moment to go capture more share of wall with them.

Matt Dixon: At the other end, at the lower end, your zero to four calls, those are your bad calls. Those are the really difficult calls. Those are your customers who are going to churn out, who are going to say bad things about you, who at the very least are not inclined to spend another dime with you, and are probably very open to a competitor's offer, a competitor who might come away and scoop them up with a slightly better offer.

Matt Dixon: So, those are the customers you need to reach out with to close the loop. What we found is, when you look at the zero to four calls, a couple of trends. So, one is on average, I think on the best performing company we saw only had about 10% of their calls fell into that bad range, but we have seen companies as high as 20%. It's around 15% on average.

Matt Dixon: But again, think about that 15% of customers in that very likely to churn out range, only five percent of them are going to fill out a survey to tell you they're upset. And so, you've got a lot of customers at risk right there that simply by reaching out and closing the loop and asking what can we do better, how can we improve, is a great moment to plug the hole in the loyalty bucket and to prevent that churn.

Matt Dixon: The other thing we've found is by doing some analysis, we've found that this effort concept, it's not just about service. It's also about fail. So, we actually score as well, a lot of companies we work with have in bound sales call centers so, customers calling up to get policy quotes in insurance or we work with a big

lawn treatment company. You get treatment for weeds or from mosquitoes or whatever and get a quote on that service.

Matt Dixon: And, we found that the effort level correlates very, very highly with sales conversion. So, the easier the sales rep makes the sales conversation, the lower the effort of the sales conversation, much more likely to convert.

Matt Dixon: So, what this one company in the home services, so this company doing lawn treatment, bug and insect treatment, they found that if the score of the call was in that bad range, the zero to four, there's only about a 15 to 20% conversion rate of those interactions.

Matt Dixon: At the high end, where they have the really great interactions, it was 60 to 65% conversion rate. And, a lot of it came down to the language that the reps were using, how they were positioning the offers, how they were positioning the pricing and the packaging, how they were overcoming objections about cost or about competitive offers or different things like that, guarantees and so and so forth, that their best reps had figured out, but their average reps had not figured out.

Matt Dixon: And so, it drove a whole series of training and coaching to try to reduce the effort of best sales interactions, so to thereby drive up conversion rate. The last thing I'll throw out to you by way of trend, we found that ... I talked about digital before. It turns out when we look at some of the things that caused the worse calls, a lot of those actually have to do with digital failures, and it just seems that today's customer has very little tolerance for digital experiences that are clunky, that are not intuitive, that are confusing and unfortunately for us, they often don't compare us to competitors. They compare us to Amazon and they compare us to those companies in their lives who get digital right and their question is, they can figure it out, why can't you figure it out?

Matt Dixon: And, it's not fair, because we may be in a much more complicated business than Amazon, but in their view, if somebody's figured it out, why can't all companies figure it out. And so, the tolerance for clunky digital experience is very low and a lot of those bad calls are associated with prior bad digital experiences but the customer, the first thing they get on the phone and they start talking about is how bad the website is and how bad the app was and all the error messages they got, and how the language on the site was confusing, and they just gave up and they picked up the phone and called and darn it, I'm really upset right now. You've wasted a lot of my time. That's something that companies really have to focus on is improving and streamline those digital experiences.

Steve Sanduski: Well, I can absolutely see the value of what it is you guys are doing there at Tethr and how this can help companies. Just the piece about the sales process, where you were saying that you can score a really good sales call and that has a high correlation to people actually closing and then if you can look at the data, what took place on that highly effective sales call? The language, how you

position the offer, the guarantee that you made, those types of things, and through your data, you can figure that out, then you can train the rest of your sales folks on it and maybe you'll double your close rate.

Steve Sanduski: So, I can absolutely see the ROI on that. Yeah. So, I do have a couple quick things here that I want to wrap up with, but before I do that, I want to make sure how do people get in touch with you or your company, because I think there's going to be a lot of people interested in following up with what you guys do here.

Matt Dixon: Yeah sure. So, certainly anybody listening to the podcast can get in touch with me in a number of ways. First, shoot me an email, I'm at matt.dixon, D-I-X-O-N, at Tethr.com. Tethr by the way, is spelled T-E-T-H-R. As I jokingly say, since we're a startup, we couldn't afford the extra vowel, so that's how it's spelled.

Matt Dixon: And, you can also get in touch with me through LinkedIn. I'm pretty active, and so feel free to send me an invitation. Tell me you had heard the podcast and you'd like to follow up, or just be in touch. And then, love to be in touch with you as well. And then lastly, if you want to learn more about Tethr, if you'd like to see a demo and how this stuff all works, be happy to hop on a call and show you how that works, answer any questions you might have. You can request a demo at tethr.com. Again, that's T-E-T-H-R.com.

Steve Sanduski: Excellent. Okay. So, a couple of quick things here, so I always like to ask, is there anything else that you want to share that we haven't talked about here yet?

Matt Dixon: No, I think we covered a lot of ground. One of the other things I remember bringing to the CEO Coaching Audience at a prior summit, the one I think, last year in Los Angeles, we talked about sales effectiveness which has really been the other hat I've worn from a research perspective and I talked about the Challenger Sale and what it means to deliver a prescriptive and guided sales experience to customers.

Matt Dixon: So, that might be a subject for a future conversation but I'd also encourage anybody who has questions about that content, if they remember me from that presentation or if they've read the Challenger Sale, reach out to me with questions about that as well. I'd certainly encourage people to do that.

Steve Sanduski: Perfect. Yeah, so two great books. I've read them both as well. So, lots of great content in there. Okay, so let's just wrap up here with some rapid fire questions. So, I'd love to know if you have two or three personal core values.

Matt Dixon: Yeah, that's a great question. So, I would say, I think for me, I probably have a lot of the same ones that a lot of other leaders have around honesty and integrity. I'd put those on there and say, "Let's have one of the three core values be the stuff that we all know as leaders. It's really important, honesty, integrity and trustworthiness."

Matt Dixon: I might throw two slightly different ones out there. I believe strongly in candor, so I don't know if I'd go quite as far as the Ray Dalio view of extreme candor, but I do like to think that I'm a candid person, and I think a lot of my research it sometimes gets me in trouble with folks because whether it's challenge or effortless, it is about maybe dismantling some of those pillars of conventional wisdom that feel really good. They're like a warm fuzzy blanket or an old sweater kind of thing.

Matt Dixon: But, when you're studying with data, it turns out that they're not true, and I think as long as we're honest with ourselves and skeptical of what's been handed down and test these things with data, I think we're going to do better for our businesses, for our employees and for our customers or shareholders as it were.

Matt Dixon: So, I think that candor is a really important one. I think the other one is collegiality and I've always prided myself on being able to, I can't take credit for all the work that I've done. It's always been a team effort, whether it's at Tethr or prior at CEB where we did the challenger and the effortless research and a lot of the best stuff comes out of teams and you're never going to be able to do it all on your own, and I think great leaders are certainly defined by their ability to pick winners when it comes to talent and surround themselves with people who complement, but also are capable of challenging leaders as well, and I think I've been able to do that in my career, and I think is really important.

Steve Sanduski: Excellent. So, when you're being very candid, do it in a collegial way.

Matt Dixon: Yeah. That's right. That's right. Well done.

Steve Sanduski: Okay, so how about, we've been talking about books. You've written multiple books here, so what would be one of your favorite books?

Matt Dixon: Yeah, so I am a huge fan of Chip and Dan Heath, the Heath brothers, and in fact, Dan Heath wrote the forward to the Effortless Experience, and I really admire their work quite a bit. One of the books that I'm most fond of is their book Made to Stick, which I think is one of their best known books and it's really about how to make messages and how to make ideas sticky.

Matt Dixon: And, a lot of what I've done in my career is how do you bridge that gap between data and research to action. And, I think that oftentimes that final mile of taking really compelling ideas, whether it's this idea of reducing effort or this idea of challenging customer thinking in the sales interaction, how do you actually convey it in a way that makes that concept stick?

Matt Dixon: I think Dan and Chip have done a great job distilling the attributes of really powerful, resonant messages and I think everybody can learn from this, whether you're a researcher and a writer and speaker like me or whether you're a business leader and you're trying to get your strategy or your message to your

teams to stick, or whether you're a teacher and you're trying to get your kids to do their homework or you're a parent and you're trying to get your kids to eat their vegetables.

Matt Dixon: There are lessons in here for everyone and it's one of my favorites. But, of many that I love, so it's like an Academy Awards thing where you feel bad about the people you didn't mention. But, that's the one that came to mind since we were talking about the effortless experience before, is that made to stick.

Steve Sanduski: Yeah. That's like trying to pick your favorite child too, right? What's my favorite book?

Matt Dixon: Yeah, exactly, exactly.

Steve Sanduski: All right. And then, just a final one. Are you someone who likes to take risks or are you someone who tends to follow the rules?

Matt Dixon: So, I certainly think there's a time and a place to follow the rules, like when driving and when doing your expenses and your taxes and things like that, there's a to follow, so this is not to suggest I don't enjoy following the rules and think that's really important, but I do think of myself more as a risk taker.

Matt Dixon: If I think about just my career and going from a place like CEB, big company, doing this research, I think there were a lot of places I could've gone, but what I was really fascinated by was this company Tethr and how they were bringing to life a lot of the concepts that I had written about and spoken about, but they were using machine learning and the latest technology to do some really innovative stuff with it.

Matt Dixon: Being in a startup, as any CEO Coaching client can attest to, is very much a roller coaster. You're always living on the knife's edge, but it's been a really fun ... as long as you like roller coasters and you're on that roller coaster with great colleagues and heading in a direction you're really excited about, it's a great time, so the risk is well worth the reward, but yeah, I do think of myself probably more as a risk taker.

Steve Sanduski: Well, I think that's a great way to wrap up, and Matt, this has been fantastic. You've shared some incredible insights here, and congratulations on all the great work that you've done and I know you've got a lot more in store as well. So, thank you for taking some time here to be on the CEO Coaching International podcast.

Matt Dixon: Thanks Steve. I appreciate the invite and great to be with you today.

To inquire about our coaching services and programs, please call **1-866-622-9583**.



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