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FOCUS ON THE
CUSTOMER
AS A PERSON

CUSTOMER CENTRICITY LEADS TO GOOD THINGS

Customer Nirvana

At Zappos, achieving customer loyalty has resulted in high net promoter score and customers who sing our praises to their friends. Imagine the possibilities if your customers did the same.

Customer centricity matters because it leads to loyalty. Loyalty is customer nirvana.

Business Nirvana

Customer-centricity also enables business nirvana. Loyalty matters because it leads to business results. NPS scores and customer testimonials matter because they do move the needle.

At Zappos, it has lead to sustainable financial growth and attracts top talent.

Zappos.com
93
NPS SCORE

79% Costco *(store)*
74% Amazon
51% Nordstrom (online)
69% Nordstrom (store)
78% Ritz Carlton

Zappos.com

	Zappos.com	
Business Longevity	**19 yrs**	**10 yrs** Avg Company
CAGR	**78.6%**	**10%** Online Retail
Acceptance Rate	**1.41%**	**4.59%** Havard
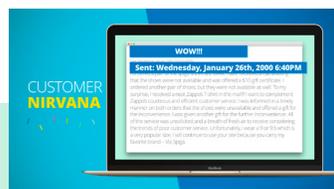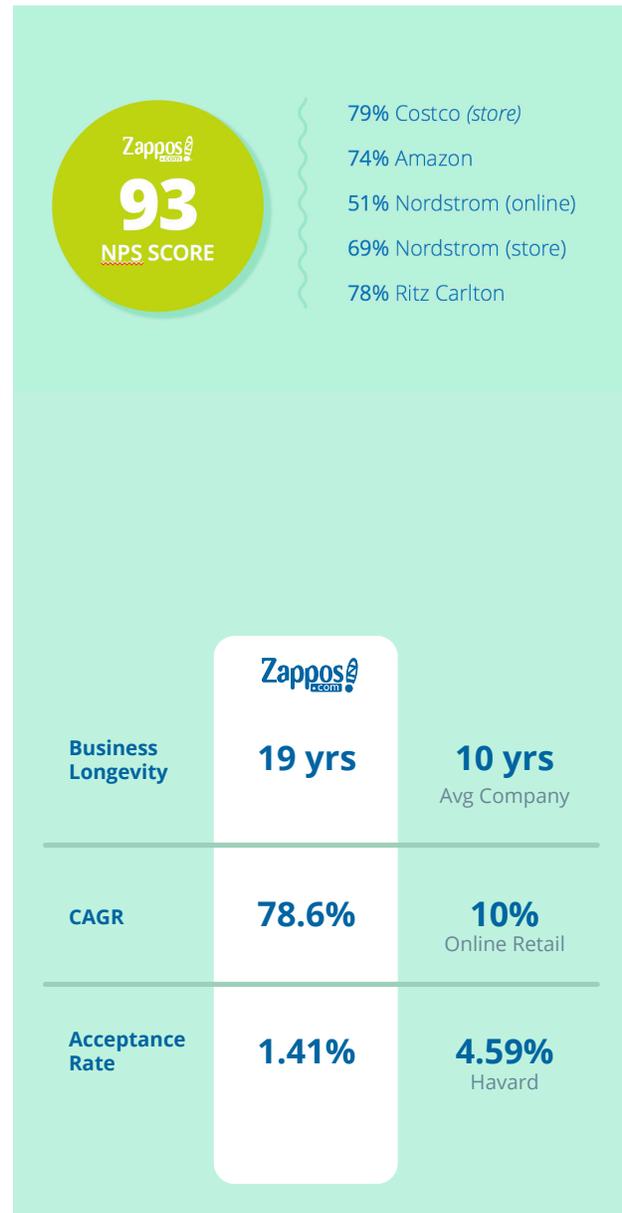
CUSTOMERS ARE NOT STATISTICS

Unfortunately, the **one** thing that stands in the way of most companies getting there is that they don't understand their customers as **people**.

Have you heard of the story about the statistician who had his head in a red-hot oven and his feet in a block of ice, but on the average felt just fine? Do you actually know a family with 2.4 kids? Probably not. When customers become statistics, **dangerous** things can happen.

United Airlines

Take United Airlines, for example, a great company and one of the largest customer service businesses in the world: On a **single** day, they fly hundreds of thousands of passengers on 4,500 flights between 338 destinations in 49 countries.

When you fly nearly 150 million passengers each year, it's easy to forget that passengers aren't just numbers. The moment that happened and they put their own regulations ahead of passenger needs, incidents like the "involuntary deboarding" of 2017, when a flight from Chicago to Louisville was overbooked and a passenger had to be taken off a plane. The result was a social media fiasco and an immediate and significant drop in their stock value in less than 24hrs.

-1.1

STOCK DROPS IN LESS THAN 24HRS

When you don't meaningfully understand your customers, it's easy to treat them like statistics.

CUSTOMERS ARE PEOPLE

Creating loyalty and driving business results is a lot easier when you remember the key insight of customer-centricity: ***customers are people,*** not statistics.

Customers are people, not statistics

That insight is that the heart of everything we do at Zappos.

Our desire to understand our customers as ***people*** drives us in everything we do

- from the culture we create
- to the experiences we create both online and offline
- to the structure we operate within
- to the strategies we build

The first step toward customer-centricity is creating a culture that makes customers the heroes

Our drive to understand our customers is codified in the 10 company values that define our culture. The first and greatest of these is to deliver WOW through service.

For us, embodying WOW service starts with **why.**

Zappos 10 Core Values

1. Deliver WOW Through Service
2. Embrace and Drive Change
3. Create Fun and a Little Weirdness
4. Be Adventurous, Creative, and Open-Minded
5. Pursue Growth and Learning
6. Build Open and Honest Relationships with Communication
7. Build a Positive Team and Family Spirit
8. Do More with Less
9. Be Passionate and Determined
10. Be Humble

START WITH WHY

The Golden Circle is a framework introduced by Simon Sinek. According to him, remarkable companies always start with **why** they exist – their higher purpose (not just to make money). Then they talk about **how** they accomplish that. And, **lastly**, they talk about what they happen to sell at the moment.

The reason Zappos exists and innovates is to bring **happiness** to our customers. We do that through our strategy of deeply understanding customers, providing the best customer service ever, and delivering great digital experiences.

Zappos is a **customer service** company which happens to sell shoes, clothes, handbags, accessories at the moment.

WHY

HOW
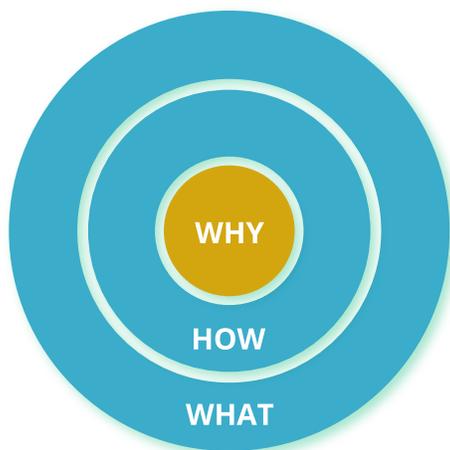
WHAT

If we think about Apple, their WHY is to think differently. Their HOW is owning the end to end processes and make desirable objects/designs. Their WHAT are computers, phones, watches...

Tips and Tricks

You don't have to be Zappos to create a company culture that makes your customers heroes. You can start by taking a few small steps today:

1. Identify and articulate your company or team core values
2. Involve all employees or team members in the process – gather ideas, then gather feedback
3. Put core values into practice, not just poster on a wall.

It doesn't have to be complicated. For example, Zappos makes our 10 core values part of our training, and require new hires to answer customer service calls to understand customer concerns and build empathy. No one at Zappos has an office. There are open floor plans and open and honest communication.

Here are a few ideas from the Zappos toolbox:

- Transparency – expenses, etc.
- Birthday emails
- Budget for team-building
- The hiring process

CURIOSITY2

The next step toward customer-centricity is curiosity.

Zappos seeks complete understanding of our customers as people.

Without that understanding, even the world's most beloved brands can fall short. Take the iPhone for example. It's one of the most beautifully designed and functional products ever built, but it treats everyone the same. Would Apple make the same decisions if they understood every dimension of their customers? Perhaps, they would make different design choices for different segments to better meet people's needs.

What about Starbucks? It was probably a great experience because they knew your name, got your order right, and customized your drink. But if you went to a different store tomorrow, you'd have to start all over again.

Let's not forget Nordstrom. They've got an incredible return policy and they're known for their service. They once refunded a customer for a tire. We all know that's not necessarily a scalable response or valuable for all customers equally. It would have been even more powerful if they'd refunded a tire for one of their most loyal customers.

Understanding your customer base fully is powerful because can help you establish a baseline for good service and help you understand when and how to reward loyalty.

UNDERSTAND YOUR CUSTOMERS

Getting a full understanding of your customer base means understanding what they're doing (behavior) and why they're doing it (mindset).

At Zappos we started with a customer mindset segmentation. We mined shopping transaction data (behavior), and married it with a customer survey data (mindset).

Once we identified our most valuable customers (MVC's), we conducted phone interviews with a few of them to better understand their needs and motivations, and also made home visits to study their behaviors in context.

Taking a closer look at a Zappos Active Family persona, demographically, we know this is a family with kids, where mom does most of the shopping, parents are physically active, and kids do activities. Through interviews, we learned that active families value both the emotional and the pragmatic. What triggers behavior in one family member is different in another. Family dynamics also influences behavior.

We also learned that they tend to form emotional connections and feelings of loyalty to brands, which increases their willingness to pay more for Zappos. For example, while they may have indicated a preference for good value in general, the truth was that they were willing to pay full price for the right product and good customer service.

Tips and Tricks

You can start by taking a few small steps today:

1. **Start with the business objectives or key questions** (Example: Personalization is a priority for us)
2. **Translate them into research questions** (Example: If personalization is important for the business, do we know if our customers feel the experience is personalized to them?)
3. **Match questions to qualitative and quantitative research methods** (Example: Add a question to a Voice of the Customer survey)

HOW ZAPPOS DOES IT

CUSTOMER MINDSET SEGMENTATION

360 VIEW

HOME VISITS — SHOPPING TRANSACTION DATA — PHONE INTERVIEWS — CUSTOMER SURVEY DATA

INTERVIEWER

Okay, great. This may sound like a silly question but why do you prefer to get something at full price?

YOU CAN START BY TAKING A FEW SMALL STEPS TODAY:

1. Start with the business objectives or key questions
2. Translate them into research questions
3. Match questions to qualitative and quantitative research methods

STRUCTURE 3

The third step toward customer-centricity is structure and saying no to silos

SILOS INHIBIT COMPANY SUCCESS
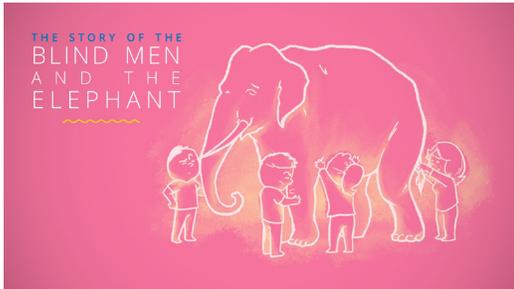
The Parable of the blind men and the elephant

A group of blind men heard that a strange animal, called an elephant, had been brought to the town, but none of them were aware of its shape and form. Out of curiosity, they said: "We must inspect and know it by touch, of which we are capable".

So, they sought it out, and when they found it they touched it.

- The first person, whose hand landed on the trunk, said "This being is like a thick snake"
- For another whose hand reached the ear, the elephant seemed like fan
- A third person, whose hand was on the leg, said, the elephant is a pillar like a tree-trunk
- The blind man who placed his hand upon its side said, "elephant is a wall"
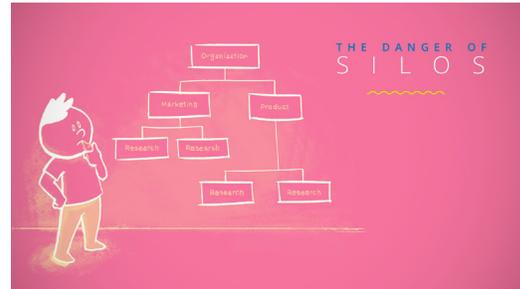
Organizational structures and silos

Behold the Corporate Org Chart and the different research silos that commonly exist within it.

Why would this traditional org structure present a problem? It can be a big problem when it comes to the question "Who is our customer?"

- Ask the market researcher and you may get one answer
- Ask the web analyst and you may get a different answer
- Ask the UX researcher and you may hear a different definition

Does this begin to sound like the Blind Men and the Elephant story?

SILOS AFFECT CUSTOMERS TOO
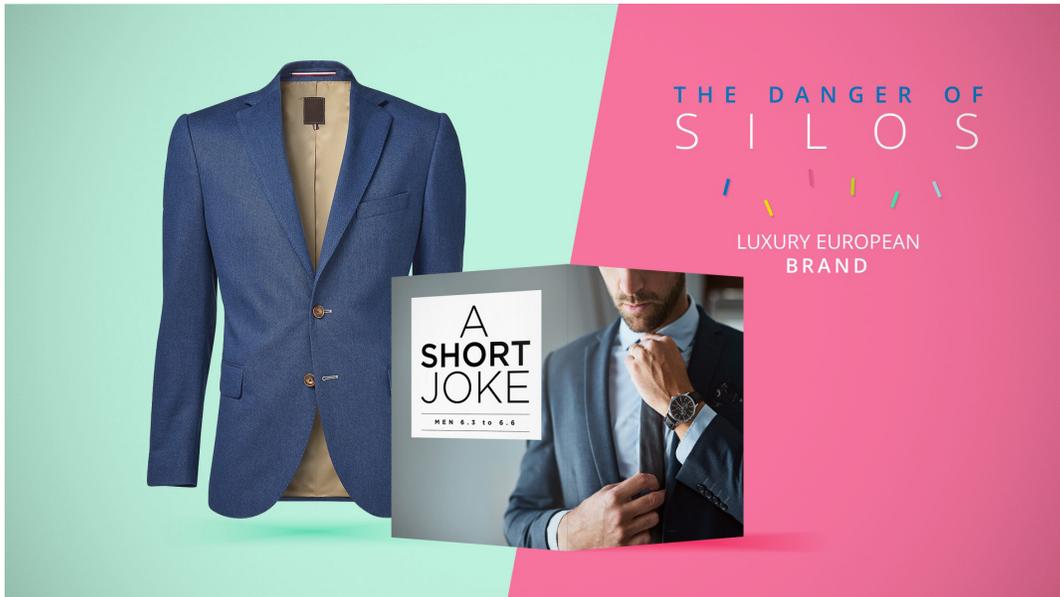
Silos can be just as harmful to your customers as they are to your employees.

Shopping in the Outlets stores in Vegas, I ducked into the store of a brand and a company I love. I found this amazing jacket – deeply discounted, and it happened to fit me perfectly.

With sizing knowledge in hand, I ordered another jacket from the website of the same retailer. It arrived, fit well, and it included a beautiful, expensive looking marketing brochure talking about men 6'3" to 6'6" complete with a joke about shorter men.

They assumed my height based on the jacket size, but could not be more wrong. As a result, they looked foolish, wasting money on this brochure, and lost credibility with this customer.

This experience could have reinforced a long-term relationship between that brand and my household. My wife and I are still fans. But how many of those inaccuracies need to happen before you think to yourself: "Do they know what they are doing?"

This could have been avoided if there were no silos between sales database and marketing and between the store and the online experience.

SELF-ORGANIZATION
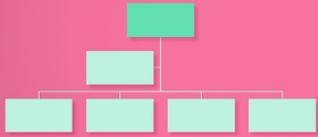
It's no secret that Zappos says no to silos in a radical way. We embrace self-organization, which enables us to organize around customer problems and priorities.

What does this mean in practice? In a traditional setting framed by an org chart, the organization is structured around individuals and roles (VP of marketing "builds" their own team – even the language reflects the boundaries)

In a self-organized world, there is still hierarchy, but employees are encouraged to self-organize around work they are passionate about and that support company priorities. At Zappos, we are organized in circles and links that orbit around customer needs.

This structure is supported by corporate values like humility and being adventurous. There are no titles, there's a place for natural leadership, and a more entrepreneurial spirit.

Tips and Tricks

You can start saying no to silos by taking a few small steps today without having to scrap the whole org chart. It's about increasing cooperation and decreasing competition between silos. As well as making sure that everyone has some skin in the game. Here are some starter ideas:

1. Identify all key stakeholders who are customer-facing
2. Form a cross-functional Customer Council
3. Meet as a group to define key customer segments
4. Share business objectives with whole group
5. Share existing insights with whole group
6. Share information gaps with whole group
7. Come up with research questions and methods as a group
8. Share budget and maximize research impact
9. Share insights with whole group

STRATEGY 4

The final step toward customer-centricity is strategy and linking business priorities to customer needs

That begins with not treating all customers the same, because there are distinct differences between segments and those segments may differ in value to your business.

DON'T TREAT ALL CUSTOMERS THE SAME

Active Families

Emotional & Pragmatic: Value both emotional and practical value propositions when it comes to online shopping for soft goods.

Spend: They spend a considerable amount of money on soft goods.

**Online Engagement:** They are highly active online.
- 75% read online reviews
- 50% rate products and services online
- 40% write reviews online
- 22% post product videos
- 15% blog about products and services
- 74% use mobile apps when shopping for soft goods

Loyalty: Tend to form an emotional connection and a sense of loyalty to brands.

Discount: Are value-oriented, and not manly motivated by discounts and sales.

Single Guy

Emotional & Pragmatic: Does not value both emotional and practical value propositions when it comes to online shopping for soft goods.
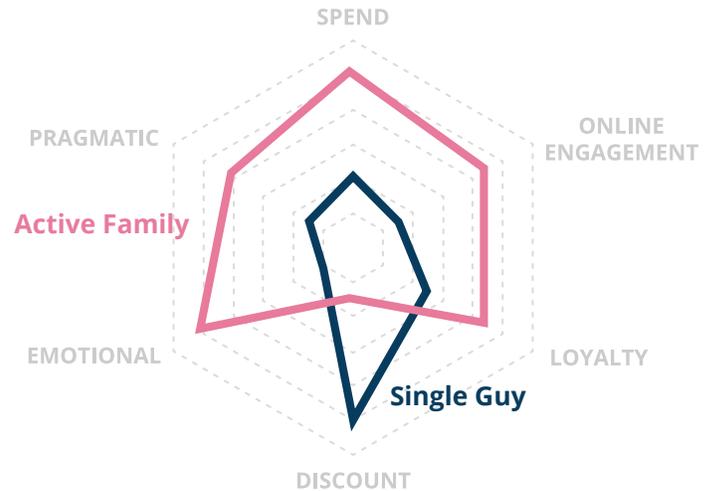
Spend: They don't spend as much money on soft goods.

Online Engagement: They aren't too active online:
- 52% read online reviews
- 13% rate products and services online
- 18% write reviews online
- 1% post product videos
- 5% blog about products and services
- 55% use mobile apps when shopping for soft goods

Loyalty: They don't form an emotional connection with the brands or feel a sense of loyalty to brands.

Discount: Are more price sensitive, and more motivated by discounts and sales.

ONE SIZE FITS ONE

Based on research and other inputs, Personalization is now one of the top priorities for the Digital Customer Experience team at Zappos. This starts with the recognition that some customers demand privacy while others expect tailoring of the experience based on their online behavior and preferences.

There is indication that our Most Valued Customers (MVC) trust Zappos more and expect personalization and curation. We identified those customers through data science and direct customer input. Zappos now offers personalization in different areas of the experience:

- Images on the websites and mobile apps
- Personalized search profiles
- Personalized and curated product selection
- Personalized customer service

One KEY point – there is a baseline of excellent customer service and digital ease of use for ALL customers; for our MVC, we go above and beyond to exceed their expectations; for all others just meeting expectations is OK.

Tips and Tricks

You can take a few simple steps to start linking your most valuable customer segments to your business strategy today like:

1. Talk to your customers (a free online tool could do the trick!)
2. Consolidate your data in one place. It doesn't have to be fancy, and you could even use something simple like an Excel spreadsheet to connect all of the dots on customers.
3. Start to conduct a simple data analysis. That begins with descriptive statistics to make sense of info.
4. Communicate the insights across silos.

YOU CAN START BY TAKING A FEW SMALL STEPS TODAY:

1 Talk to your customers

2 Consolidate your data in one place

3 Start to conduct simple data analysis

4 Communicate the insights across silos
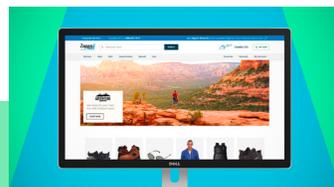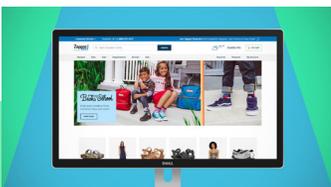
CONCLUSION

VOC comment, July 2018

"Wanted to thank […] in customer service for going the extra mile and making my day. I mentioned to him a few days ago that my mother had passed away. He and your company sent flowers and a very sweet note that arrived yesterday. I was so shocked and surprised to receive this thoughtful gift, it made me cry. Thanks Zappos, I loved you all before because my entire family wears a shoe size not found in stores. And now this....**WOW**! Thanks for showing that a large company can be awesome and compassionate!"

We also learned that our Most Valuable Customers tend to form emotional connections and feelings of loyalty to Zappos, which increases their willingness to pay.

For example, while they may have indicated a preference for lower prices in general, the truth was that they were willing to pay full price for the right product and good customer service.

So in conclusion, creating a culture that makes customers the heroes, cultivating a 360 degree consumer understanding, saying no to silos, and linking business priorities to customer needs can be a powerful way to make BIG business impact and get you one step closer to loyalty (aka: customer nirvana).

• Your NPS could skyrocket
• Your profitability could soar
• Your customers could be writing you love letters (for decades)

... 18 years later

NPS COULD
SKYROCKET
PROFITABILITY COULD
SOAR
WRITING YOU
LOVE LETTERS

QUESTIONS?

ZAPPOS INSIGHTS
IS HERE TO HELP

https://www.zapposinsights.com/

ONLINE LEARNING

Q&A
SESSIONS

TOUR OF
ZAPPOS HQ

Z Zappos
INSIGHTS

LIVE
EVENTS

SPEAKING

Alex is an experienced customer research professional who applies his Experimental Social Psychology background and his passion for research, design, and innovation to solving important customer and business problems. His professional goal is to help teams create remarkable products and services which make people's lives easier and more enjoyable.

Currently Alex is leading Customer Research for the Zappos Family of Companies. In previous positions, he was responsible for research and usability of the products and services for companies like TurboTax (Intuit), State Farm Insurance, and the Active Network. He has over 15 years of relevant experience with both startups and Fortune 500 companies. Alex has a PhD in Experimental Social Psychology. His areas of research include: defining and measuring emotions, individual differences, usability, and consumer segmentation.

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