



nauti grind

CAFE

Tahzoo.

Contextual Intelligence

A Tahzoo Point of View.

CAFE nauti grind MENU	
La COLOMBE	Fresh Baked
CAFE AMERICANO 4	CROISSANT & MUFFIN 4
CAPPUCCINO 4	PAIN CHOCOLATE 4
MACCHIATO 4	CRUMBCAKE 4
CAFE LATTE 4	GUAVA PASTELITO 4
CAFE MOCHA 5	EMPANADA 3
ESPRESSO 3	CROQUETA 3
COLA 3	ARTISAN 4
CONTRADITO 3	SNACKS 4
HOT CHOCOLATE 4	TEA 4
DRAFT Latte 6	MATCHA 4
PURE BLACK 6	Expressed 9
Morning AFTER 6	JUICE
NIZZA BLEND COFFEE + SHOT OF ESPRESSO	
@NautilusSoBe	@SixtyHotels

BRAD HEIDEMANN
CEO

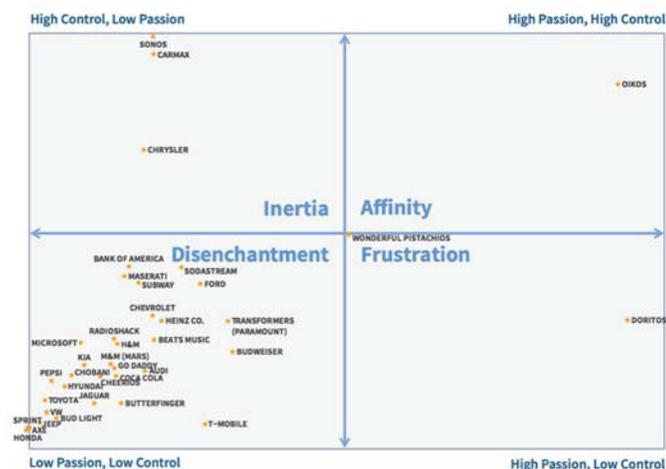
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Welcome to the Age of Experience

Ask anyone about their last vacation and they are much more likely to tell you about an experience they had rather than their planes, trains and automobiles logistics. At a restaurant, people are more likely to share pictures of their food because of the way it was presented. Academics call this empiricism; regular people call it a great experience. In any case, it has fundamentally changed the way people engage with products, services and brands.

Even the word “brand” has changed. Brand used to represent a product name, logo or symbol. As the market leader in soft drinks, Coca-Cola has long been associated with “The pause that refreshes,” “Things go better with Coke,” and “The real thing.” Today Coke’s slogan points at the experience– “Taste the feeling.”

BMW’s tagline went from “The ultimate driving machine” to “Designed for driving pleasure”. Then quickly reverted after the brand campaign bombed. BMW was attempting to shift from the product to the experience. Marketers around the globe are beginning to focus on the experiences customers have with their products rather than the product itself. Welcome to the Age of Experience.



In search of the perfect moment

In his wildly acclaimed work, “Swimming to Cambodia,” actor and story teller Spaulding Gray recounts his quest for his “perfect moment.” In this case, it was off a beach in Thailand after he had wrapped his minor role in the movie, “The Killing Fields.” He swam out into the ocean and for a brief moment it was just him, the sun, sky, and the sea. Everything was in harmony. Nothing else mattered. In psychology, this state is known as FLOWi. We all have these experiences. For some of us, it may be hitting the best drive in of our lives. For others, its asking the prettiest girl to prom and hearing the magic word, “yes”. For agent Cooper in Twin Peaks, it’s “This must be where pies go when they die.” The challenge for today’s brands, marketers and CX professionals is to create one of those perfect experiences where people achieve a state of FLOW when engaging with the brand.

“Being in FLOW can be measured as the balance between the passion or enjoyment you associate with a brand experience and the degree of control you have over the experience.”

Do you hate waiting in line? The last time I was in LA I convinced by a friend to go to In-N-Out burgers. We waited in the drive-thru line for 20 minutes and there was nothing I could do about it. Needless to say, the food wasn’t that good to overcome the wait. My brand experience with

In-N-Out was not in a state of flow.

For customer experience marketing, Flow is enabled when two conditions are met.

First, the brand understands its audience (behavior, attitudes and motivations) as well as the context in which the person engages with the brand. Secondly, the brand must act on those insights and deliver an experience that is highly personalized and contextually relevant for each individual or audience segment.

The combination of obtaining and acting upon insight is what we call Contextual Intelligence. It is the key to success in the age of experience. Brands that leverage Contextual Intelligence are most likely to generate “perfect moments” for their customers and create a sense of flow. The reward? Brand loyalty and by extension, customer revenue.

The history of Contextual Intelligence

In the Madmen age of mass market advertising, the goal wasn't to understand the individual or the moment, but to look for the most common, and often the lowest, denominator. Marlboro went after young men who wanted to see themselves as independent, strong and macho. Tide appealed to women who, in part, wanted to be perfect home makers.

Over time, one-size-fits-all mass market advertising, evolved the direct marketing age. Brands were able to target segments of similar people based on demographic data publically available. Marketers sent offers in the mail targeting specific zip codes, household income, the presence of children or a history of purchasing the same or a similar product or service. It's likely you still get coupons for pizza delivery and dry cleaners in your neighborhood.

Then came Amazon. The era of digital personalized marketing began. Every time you visit amazon.com, you receive dynamic recommendations based on your past purchases and what other people who look like you, buy. Amazon has created the algorithms to automate the process and generate a virtuous circle of machine learning to make the next set of recommendations even better.



Facebook offers advertisers the opportunity to target precise audience segments. They incorporate interests, friends, viewing history and even image recognition. Facebook claims to have the ability to understand and predict behavior, allowing online advertisers to finally reach the Holy Grail. Unfortunately, the problem is not the science, it's the context.

If you are shown a display ad reflecting a recent visit to Zappos.com when you are in the middle of looking at your niece's wedding pictures or when you're reading a compelling article about politics, religion or your favorite cable series, You're not likely in the mood to think about shoes.

You may fit the profile. You may even plan to buy the shoes, but they got the timing wrong. You were presented the ad in the wrong context.

And so, in the end, the ad was wasted, the money was wasted and in some cases people feel intruded upon and may walk away with a negative attitude about the brand. You will no longer feel as positively towards the Zappos brand and e less likely shop there in the future.

In search of Contextual Intelligence

Ask a professional ethnography and they would say, “if you want to understand a tiger, you have to go to the jungle, not the zoo.” Too often marketers rely solely on focus groups or surveys of existing customers. They don’t go out into the jungle to understand what real people are thinking or how they are actually behaving. Moreover, they don’t focus on the language, the tone and the archetypes within which customers communicate and engage. It is the meaning within the language where the “contextual” in Contextual Intelligence comes into play. It’s called semiotics, the study of the signs and symbols of communication.

If you are a retailer, should you hold a focus group or walk around your store and talk to customers? Isn’t it better to know what people are thinking about, what was important to them and what is the best way to engage them. It happened almost 100 years ago with a man named John Nordstrom. After founding a shoe store in Seattle in 1901, he formally retired in 1920, but continued to walk the floor in the Nordstrom flagship store until his death in 1963. Mr. Nordstrom understood that customers valued most a mutual relationship of respect and trust. John Nordstrom translated that into his policy of accepting any returns, based solely on the word of the customer.

Company lore has it that Nordstrom once accepted a set of tires as a return, even though the company never sold tires. Whether it’s true or not, the ethos of this lore, that you will win

the hearts and minds of customers if you treat them well is the cornerstone of Nordstrom. If you understand what customers value and engage them within the context of the moment you will succeed.

The data of Contextual Intelligence

In the 1960s, computers were introduced to marketing departments. Essentially, their purpose was to pull in all sorts of data, “normalize” it in relational databases and make it available for query. This enabled marketers to begin to understand the science behind segmentation. Over time, whole companies like Experian, Axiom and Nielsen emerged becoming data aggregators. Today they provide this data to brands as a service, essentially appending the data they already collect about people, and making it available for business purposes.

With the proliferation of the Internet era, data became available to everyone. All the vast public databases from the census bureau, Internal Revenue Service and a dizzying array of federal, state and local databases became available to any company that could upload the data. Marketers now had access to much of the data that previously was only available via the Experians of the world.

It wasn’t just marketers and database pros who looked for data. Everyone with a browser and an internet connection became data junkies themselves. With the advent of Google, online search became a verb, not just software. As everyone started searching for everything, Google figured out they could track those searches and understand what people found relevant. As the dominant search engine with more than 2 Trillion searches Google became one of the largest sources of data anywhere.

Google sells that data as a part of its AdWords search marketing business, generating almost \$50 Billion a year in data enabled revenue. All to help businesses figure out what people actually want.

It took less than a decade for the next era to appear, the social network. With the appearance of Facebook, Twitter and Instagram, billions of people worldwide began voluntarily sharing some of their most personal data on a daily basis. Facebook uses 98 personal data points to target the ads it sells to virtually every major brand on the planet. Facebook not only captures data like age, gender, location..., but it also captures the language, the images and even the jokes you tell. If your mother's birthday is coming up, you will see ads from local florists. If you joked about 4-wheeling in a jeep, expect to get something from Chrysler, promoting local Jeep dealers. The problem is, the experience does not always produce a state of flow.



The context of Contextual Intelligence

With the advent of the age of experience and its inherent “in the moment” zeitgeist, customer experiences must be highly personalized, targeting and address ever more and more

complex segments, approaching if not yet achieving segments of one. But even this isn't good enough. A brand may know its customers, they may know about past behavior, but unless they understand and can react to the context of the moment, it will not be relevant.

Even Amazon can get the context wrong. How many of us bought books to read to our toddlers from Amazon? And as the years advanced, we bought doll houses and nerf guns, video games and concert tickets, but we still got ads for books for toddlers. Amazon had all our purchase histories, but missed out on the fact our children got older every year, they ignored context.

Are you the same person when you buy morning coffee and a breakfast sandwich on the way into the office, as you are on vacation at the beach or in the mountains? Do you order the same thing when you're with a group of business colleagues as you do with your spouse? Will you respond to an offer for something you don't like, just because you are a member of a loyalty program? The answer to all these questions is probably no. Does that make you a less loyal customer or reduce the opportunity to increase your lifetime customer value score? Also no. The key is for the brand to understand the context of engagement and respond appropriately in a seamless and perfectly natural way.

The mechanics of Contextual Intelligence

Compiling customer data is nothing new, but the where, the how and the what is quickly evolving. Over one hundred years ago, efficiency experts were hired to do time and motion studies on factory floors to understand how workers worked. They introduced new processes and in some cases, new technologies to speed up production. It wasn't always successful, but

they laid the foundation for collecting real-time data about what was actually going on. There was no theory to it, it was simply empirical data. Or as we used to call them, facts.

Fast forward to today. With the advent of visual recognition technology, it is possible to observe and learn from the behavior of people without violating their privacy, stealing their identities or in any other way compromising their anonymity. It is possible to capture how many people are in a store, restaurant or any venue and then compare their physical and emotive behavior to the POS data containing sales, tickets and products within the same time frame. Multiply by the number of locations, mash up all the data into massive database and you have the makings for an in-store profile which can predict individual behavior, even offline.

These insights can be used to make an offer more relevant and improve operational efficiency. Stores can spot a long line at the counter and promote a mobile solution to skip the line. Retailers can respond to tracking the volume of sales during a particular time slot and day part an offer by offering a product “Every Tuesday morning from 10:00 am to 10:30a” to level the load. When a coffee shop senses people sitting in the store with their laptop open for certain length of time in the middle of the afternoon, they can automatically generate an in-store promo for a refill and then add a food item as an attach.

Context is important everywhere

It's not just in stores where brands can learn a lot about their customers. They can understand what they say, do and think by listening to them across the digital universe, including social networks, blogs, websites... and editorial content.

Just like the in-store data collection, online listening does not have to entail identifying who's talking. Its not as important who is saying something, as it is what is the volume, frequency and breadth of what's being said.

Applying the rigor and methodology of a trained ethnographer to virtual cultures and societies, marketers can replace focus groups with virtual panels numbering in the millions rather than a dozen. At is most basic, a trained researcher can look at what's trending on Twitter and get a sense for the mood of the audience. Using sophisticated technology, that hunch can be validated by sentiment and tonal algorithms. The technology actually enables us to find the semantic needles in the virtual haystacks.

For example, a couple of years ago, a leading life insurance company decided they were going to start targeting people who belonged to the “active lifestyle” category. They began sponsoring marathons and similar events. The logic was simple, sell life insurance to healthy people and you will have customers for a much longer time, net net, more profitability. The problem was active lifestyle people weren't thinking about life insurance. In fact, the initial research showed that the only people talking about life insurance were life insurance companies.

Virtual Ethnography allowed the life insurance company to understand what active lifestyle enthusiasts were talking about and how they could bridge the gap between their interests and life insurance. They studied what active lifestyle individuals were talking about. They found healthy people focused on the food they ate, the places they frequented or about how they lived their lives and raised their families. This was the hook. The Active Lifestyles segment cared very much about the health and well-

being of their families. Armed with this data, it was easy to begin conversations about planning for their family's future. They were in the right context to bring up life insurance. So they began to produce content about healthy living with links to parenting, planning for the future, and protecting the family with life insurance. Virtual ethnographic research generated contextual intelligence which led to a contextually relevant content marketing experience.

The payoff of Contextual Intelligence

In addition to creating a state of flow by balancing the passion and the control of an individual, there is another balance that needs to be struck. It's called the "fair exchange of value". Whenever, wherever and however a person engages with a brand, they have to get value out of that experience.

If a brand asks you for your birthdate when you register online, you expect to get a birthday greeting and most likely a gift in the form of a coupon or discount. Top frequent fliers exchange their continued repeat business for status and the perks that go along with it. Delta Airlines' Diamond Medallion members board with first class, regardless of where they are sitting. Marriott elites get their own lounges with food and drink.

On the other side of the equation, companies must also receive value for what they deliver. Business travelers reward their preferred brands with repeat business. Loyal customers are willing to forgive a brand when a mistake is made and they will freely share feedback if they believe it will translate into a better experience.

Another example. American Airlines invented the frequent flier program in the 1980s. At that

time, almost all airline tickets were sold via travel agents. The airline itself had very little data about its customers. In exchange for sharing some of that data, the airline rewarded the customer with miles. Decades later, people can earn miles for paying their mortgage, shopping online and even by buying a plane ticket.

But as the airlines learned, getting miles wasn't the value their best customers were interested in. First, most frequent fliers were business travelers and didn't pay for their tickets themselves. Secondly, the last thing the top tier fliers were interested in was flying more. What they cared about instead, was status. They wanted to be treated differently. They wanted to board first, get upgraded to first class, have access to private lounges and generally be recognized every time they engaged with the airline. And so, the fair exchange of value centered on recognition and status in exchange of steady revenue. Today, the top 10% of frequent fliers generate over 50% of airlines profit.

The fair exchange of value is the payoff for both the consumer and the brand. The customer gets a better experience and the company gets loyalty. Contextual Intelligence provides the opportunity for consumers to tell companies what they really value even if they chose to remain anonymous.

Getting started with contextual intelligence

The first step is understanding that no matter what your industry, it's the customer experience that counts the most. Amazon has is in the movie business. General Motors loans people money. Starbucks has given you a destination, "the third place to spend time, in between work and home. They are all centered on creating and delivering great customer experiences.

Listen, learn and act on what people are telling you. Learn from your unknowns. If you only listen to identified customers, you will never take advantage of the larger market opportunity. In Starbucks' case, fewer than twenty percent of their customers are members of their rewards program. In Delta's case, the top five percent generate twenty-five percent of their revenue. Ninety-eight per cent of all web visitors choose to remain anonymous.

Use a variety of methods to listen and learn from both your existing customers and your potential audiences. Employ virtual ethnography techniques to understand what people are talking about. Use semiotics to decipher the language people use. Use visual recognition to observe how people behave when they are engaging face to face. And then combine all that data with the massive customer data you are most likely already collecting.

Finally, act on what you learn! When you deliver a contextually relevant experience, you are living up to both sides of the fair exchange equation. Invest in the people, processes and technology needed to dynamically deliver personalized experiences. Not only does our experience economy expect it, they will reward you for it.

Looking to optimize your customer experience?

Get in touch with us at brad@tahzoo.com

About the Author

BRAD HEIDEMANN
CEO

As with most entrepreneurs, Brad started Tahzoo with a vision. To create a company that would exist to make millions of people a little bit happier every day. Founded on the idea, that if you cared for your customers and you cared for you employees, you'd have a company worth caring about.

For more than a decade now Tahzoo has been delivering innovative and sophisticated customer experience solutions for Fortune 500 clients. Brad spends most of his time applying Machine learning, Linguistics and Complexity theory to personalize the experience between Brands and their customers. When he's not with his family or pondering our future on one of his cross-country BBQ drives, you'll find him writing prolifically and collecting rare rums. He loves reading, playing chess and tennis. Brad was blessed to have many mentors and teachers over the years, all of whom played a critical role in shaping his thinking and approach to caring for others. He lives the philosophy of "paying it forward". His focus on teaching and growing Tahzoo team members is core to his personal mission. You can find many of his stories, lessons learned, management philosophy and cultural insights on his personal site, the Desk of Brad.

About Tahzoo

We are a global Customer Experience consultancy focused on creating and delivering digital experiences that make consumers happier every day. We combine creative horsepower, data-driven insights, and technical know-how to redefine how users interact with and experience your brand.

Architects for the Experience Age

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