



Exploring the value of emotion-driven engagement

The dynamics of customer loyalty

May 2019

Contents

Background & overview	03
KEY FINDING 1 Emotional connections drive brand loyalty.	04
KEY FINDING 2 The path to a meaningful, sustained connection is a two-way street.	06
KEY FINDING 3 Know the line between responsive and invasive.	08
KEY FINDING 4 A consistent, reliable voice matters.	10
Conclusion	12
Executive summary Leading the OpCX revolution.	14
Research background: Methodology	15



Background & overview

Consumers are complex, with strong emotions and expectations. That complexity is shaping relationships with brands and service providers like never before. It is broadly believed that emotions are the basis for 80 percent of the decisions a person makes in a day;¹ yet—beyond marketing—very few organizations sufficiently and intentionally act upon how and when emotions impact customers’ connection and loyalty to a brand. **The ability to leverage emotionally intelligent platforms to recognize and use emotional data at scale is one of the biggest, most important opportunities for companies going forward.**

To illuminate the scope of that opportunity, Deloitte conducted a research study that examined the role that emotions play in consumer engagement. The study integrated data from a survey of 800 consumers and an online panel of 112 participants, plus analysis of 91 million social

posts and meta-analysis of results from 2,090 completed Voice of Customer surveys collected by Deloitte in service-focused industries. These cohorts are collectively referred to as “consumers” or, simply, as “people” in this report. Except where otherwise noted, all statistics mentioned in this white paper derive from the results of this Deloitte study. The research was designed to test the following hypothesis:

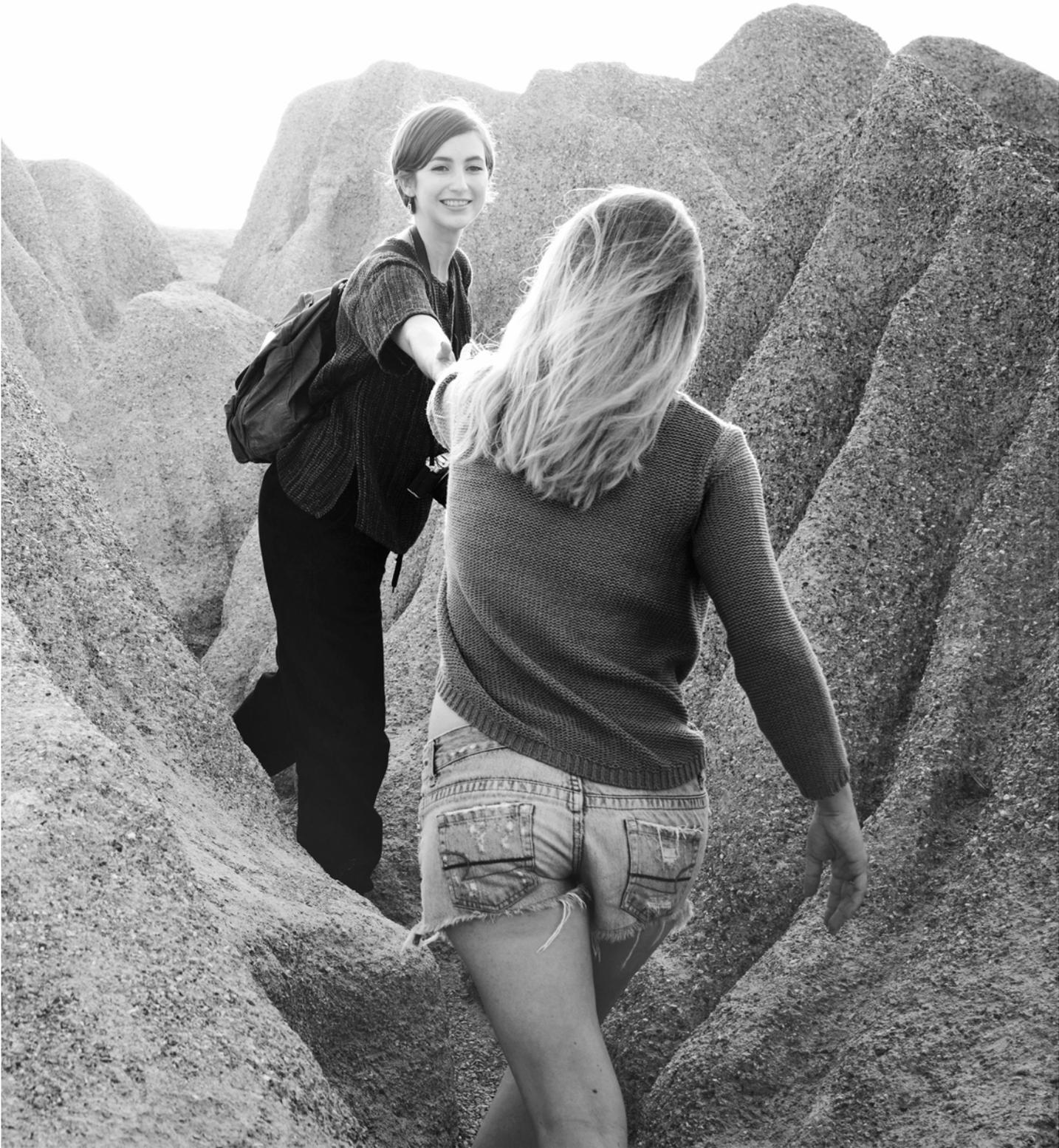
Beyond marketing, emotional and contextual data can foster deeper emotional connections across all key moments with customers to increase their lifetime value while also decreasing their likelihood of switching brands.

The research yielded insights that expand,

deepen, and—in some cases—challenge conventional wisdom about the role of emotions in the relationship between brands and consumers. Four key themes emerged across the research data:

1. Emotional factors inspire brand loyalty, while rational influences play a key role at the beginning and end of relationships.
2. Emotional connection requires developing two-way relationships between brands and customers that mirror human relationships.
3. Knowing what data is OK to use (and when) is vital to building and maintaining trust with customers.
4. Customers expect a consistent, contextually appropriate experience of brands across all interactions.

In this white paper we explore the data that supports these findings, and consider their implications across the enterprise.



KEY FINDING 1

Emotional connections drive brand loyalty.

As with any relationship, the connection between a consumer and a brand evolves over time based on a mix of factors. Emotional responses, rational considerations, and shared values all come into play at some point in the evolution of that relationship, often overlapping and intermingling. (Figure 1) While individual consumers (and brands) vary in infinite ways, the overarching cycle of how a consumer chooses to enter a relationship with a brand and how that relationship deepens (or how it ends) is remarkably consistent across industries and consumer types.

When consumers first engage with brands, it is **rational considerations** that dominate—think price, promotions, or loyalty programs. These influences can also trigger the end of a brand relationship, if a brand fails to deliver on the emotional connection and promise it has built. Nearly 70 percent of people who leave while using or receiving service on a product leave for rational reasons such as high prices, faulty products or wrong orders. Only 18 percent cited emotional reasons, such as feeling

rudely spoken to by an employee or unfairly treated in a dispute, for leaving a brand.

60% of long-term customers use emotional language to describe their connection to favored brands.

Factors that drive **emotional responses**, however, are key to almost everything that lies between the beginning and end of a consumer's relationship with a brand. Emotions inspire and frame the depth of brand loyalty as well as advocacy. As the duration of a consumer's relationship and exposure to a brand increases, emotional attachment takes over and rational needs become less pertinent. Sixty percent of brand-loyal consumers use the same type of emotional language they'd use for family, friends, and pets when speaking of their favorite brands—words like *love*, *happy*, and *adore*.

While **shared values** like being environmentally friendly or socially focused

are important, they are more of a base need that's satiated at the outset of the brand relationship. Certainly purpose-driven values are helpful for marketing and developing brand awareness and positioning; but shared values, on their own, are typically not what create loyal customers or brand promoters. Only 3 percent of people would recommend a product or brand to others based on the company's values or corporate responsibility principles—whereas 44 percent would make a recommendation based on emotional criteria.

Clearly, there is real business value in establishing emotional connections with customers. Doing so at scale, however, presents complex challenges and numerous pitfalls. Success largely depends on your ability to gather, understand, and use emotional data—at the right time, in the right ways—to create contextually appropriate interactions.

Figure 1: The elements of connection between consumers and brands



Emotional responses

- Anger
- Belonging
- Compassion
- Disillusion
- Gratitude
- Happiness
- Honesty
- Integrity
- Joy
- Sadness
- Security
- Surprise
- Trust



Rational considerations

- Age / heritage
- Customer service
- Loyalty reward points
- Price competitiveness
- Product quality
- Promotions / offers
- Recommendations by trusted source
- Same-day delivery
- Simple, clean, easy-to-use interface in mobile app / website



Shared values

- Animal welfare
- Charitable mindset
- Environmentally friendly
- Ethical
- Fair business practices
- Gender & LGBTQ equality
- Political alignment
- Religious affiliation
- Socially responsible

KEY FINDING 2

The path to a meaningful, sustained connection is a two-way street.

We live in the age of the empowered consumer. Customers can learn anything they want about a company's products and services, as well as their competitors. Social platforms afford everyone the ability to participate in—and even drive—public discourse around products, brands, people, and politics. Across digital and in-person interactions with brands—in store, on the phone, via email and beyond—consumers expect unprecedented levels of care, responsiveness, contextual awareness, personalization, and helpfulness.

They expect, in short, to be treated by brands like they are treated by friends.

In this paradigm, brands must learn to listen and engage appropriately with both potential and existing customers. Seventy percent of consumers say that a brand relationship includes providing feedback—and most expect that feedback to drive brands to responsive action.

62% of consumers feel they have a relationship with a brand.

Customers want to know not only that brands are listening to them, but also that brands are adapting offerings and communications based on what the customer is saying. Nearly half of consumers say they love it when companies bring up their last interaction, while two out of three expect companies to integrate their feedback into future product and service design, and to provide special offers based on loyalty.

Like friendships, customer relationships often take time to develop. Among people who consider themselves brand-loyal, 76 percent say they've used the brand for more than four years.

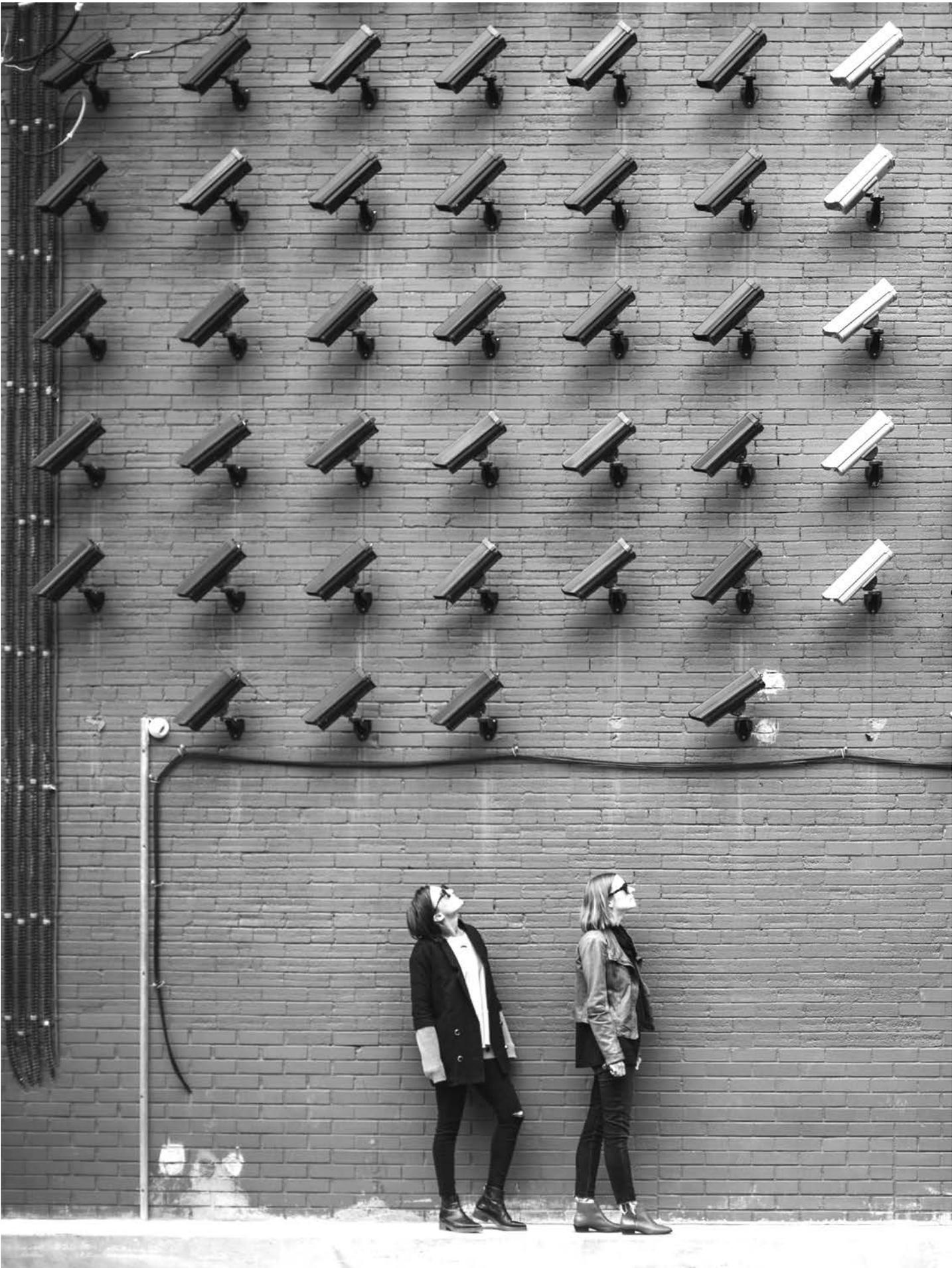
In order to accelerate the conversion of newer consumers into emotionally connected loyalists, brands must increase the *quality* of each experience by making it feel more human. Doing so will require not only understanding customer data and applying the right technologies to drive deeper connection, but also breaking down silos that fragment the customer experience. Seventy-five percent of customers expect brands to know their

purchase history, while 57 percent expect brands to know their service history—and to be able to call upon that knowledge to contextualize and personalize interactions.

By mirroring the qualities of positive human relationships, brands can cultivate the kinds of connections that will convert customers into loyalists.

Achieving that at scale will likely require a new approach to data, technologies, processes, and governance—an approach that infuses empathy, responsiveness, and context into every interaction. It also means knowing what's appropriate to collect and act upon, and at what moments. It means building an emotionally intelligent enterprise.





KEY FINDING 3

Know the line between responsive and invasive.

At the same time that consumers expect brands to listen and respond to their needs, they also have strong feelings about the types of information brands should know about them and how that information should be used. *Trust* is the most identified emotional metric that consumers say influences their connection to a favorite brand. Unfortunately, trust can be broken more easily than it can be established.

It's not that consumers are naïve about the information that brands collect about them. To the contrary, they recognize and expect that brands amass a great deal of data about their preferences and history.

Trustworthiness (83%), integrity (79%), and honesty (77%) are the emotional factors that consumers feel most align with their favorite brands.

Where they draw the line is with what they consider "sneaky" surveillance and monitoring. (Figure 2) For example, 35 percent do not want their favorite brand to know their browsing history for similar products or services, in order to serve relevant ads or to provide chatbot help. Consumers also are sensitive about the ways that brands respond to what they say online. While 59 percent don't want the company to respond when they post positively about a brand on social media, 54 percent do expect a response within three days or less following a negative post.

When it comes to direct engagement with brands, consumers are considerably more permissive regarding the data that is collected and used. For example, 75 percent expect their favorite brand to know why they purchased the product, and 52 percent expect the brand to know how satisfied they are with the product. A majority expect brands to respond within 24 hours when contacted through a "contact us" page, and

three out of four expect to be contacted within five days after completing a survey with a complaint.

All of this goes to show that **consumers know that brands know. What's important is that brands are thoughtful and respectful about how they use the knowledge they've collected.** In that sense, it is too narrow to think of data risks through legal, ethical, and reputational silos alone. The ways companies use data should also be considered through the lens of customer trust. Again, by proactively using technology and data in the right way at the right time, a brand can build intuitive and empathetic "human" experiences that deepen customer relationships and strengthen loyalty.

Customers understand that brands collect a wide array of data about them.

Where they draw the line is generally with the collection of data that isn't intentionally shared with the brand.

Customers are generally comfortable with companies tracking:



Why they purchased the product
75% expect brands to know



How satisfied they are with the product
52% expect brands to know



Their customer service history
57% expect brands to know



How long they've been a customer
49% expect brands to know

But they don't like it when companies collect:



The customer's browsing history for similar products
35% don't want brands to know



Preferences unique to the individual customer
30% don't want brands to know

KEY FINDING 4

A consistent, reliable voice matters.

Trust in friendships is built, in large part, on knowing what to expect from a person. The same is true when people connect with brands. Customers expect a consistent, predictable, memorable experience in every moment, from online engagements to in-store conversations with sales reps; from email newsletters to packaging. No matter the touch point, brands must speak in a singular voice in order to connect consistently with customers.

Almost 70 percent of consumers say “reliable, great customer service” is what makes a brand their favorite to shop online. For a majority of people that means being accessible through multiple points of contact and reaching out to the customer when needed. And when looking to resolve issues, 72 percent of consumers prefer a solution from a customer service agent or store associate over automated service options.

39% of people switched brands after a bad experience.

Brand experiences that don't deliver consistency erode the emotional connection that lies at the heart of loyalty. Of people who abandoned a brand 43 percent did so while using the brand, and 20 percent did so while trying to receive services for what they had purchased.

When emotional bonds are broken, rational thinking often takes over. Three-quarters of people who leave a brand while using or receiving service on a product, leave for reasons such as high prices or wrong orders. Fortunately, most customers recognize that missteps happen, and are willing to remain loyal to a brand so long as they receive a straightforward, honest, and empathetic response to concerns. When they feel that their issue has been addressed, 77 percent of people will stick with a brand.

The consistency that consumers expect is implicitly difficult to deliver when a brand's operations are siloed. Understanding a customer's emotional and contextual state depends, in large part, on having immediate and comprehensive visibility into the customer's history across touch points. Two

out of three people believe that if companies knew how satisfied or unsatisfied they are, it would improve the customer service they receive; and 75 percent of women think customer service would improve if the company knew what the consumer said about them online.

As our study shows, emotional connection is vital to customer loyalty and lifetime value. In brand relationships as in personal relationships, **the foundation of emotional connection is trust; and the foundation of trust is consistency.** Achieve that and brands stand to deepen their connections, gain forgiveness when they do make a mistake, and build stronger loyalty, customer by customer. Capturing, understanding, and appropriately responding to the consumer's emotional state and context allows companies to deliver the predictable experience that today's consumer expects.



Conclusion

Emotional data is the key to building reliable, meaningful, loyal relationships with customers that stand the test of time. However, in order to sustain those relationships, the data should be handled carefully. Customer engagement needs to be contextually appropriate, consistent, empathetic, and responsive. (Figure 3)

Given the sheer quantity of touch points between customers and brands—online and offline—the challenge of collecting, reading, and reacting to every emotional

cue in appropriate ways is enormous and growing. But it's clear that customers don't care whether it's difficult or expensive to humanize relationships at scale. Companies that aren't focused on building emotional bonds risk losing customers to competitors that are figuring it out—and it's hard to win back old friends once you've lost them.

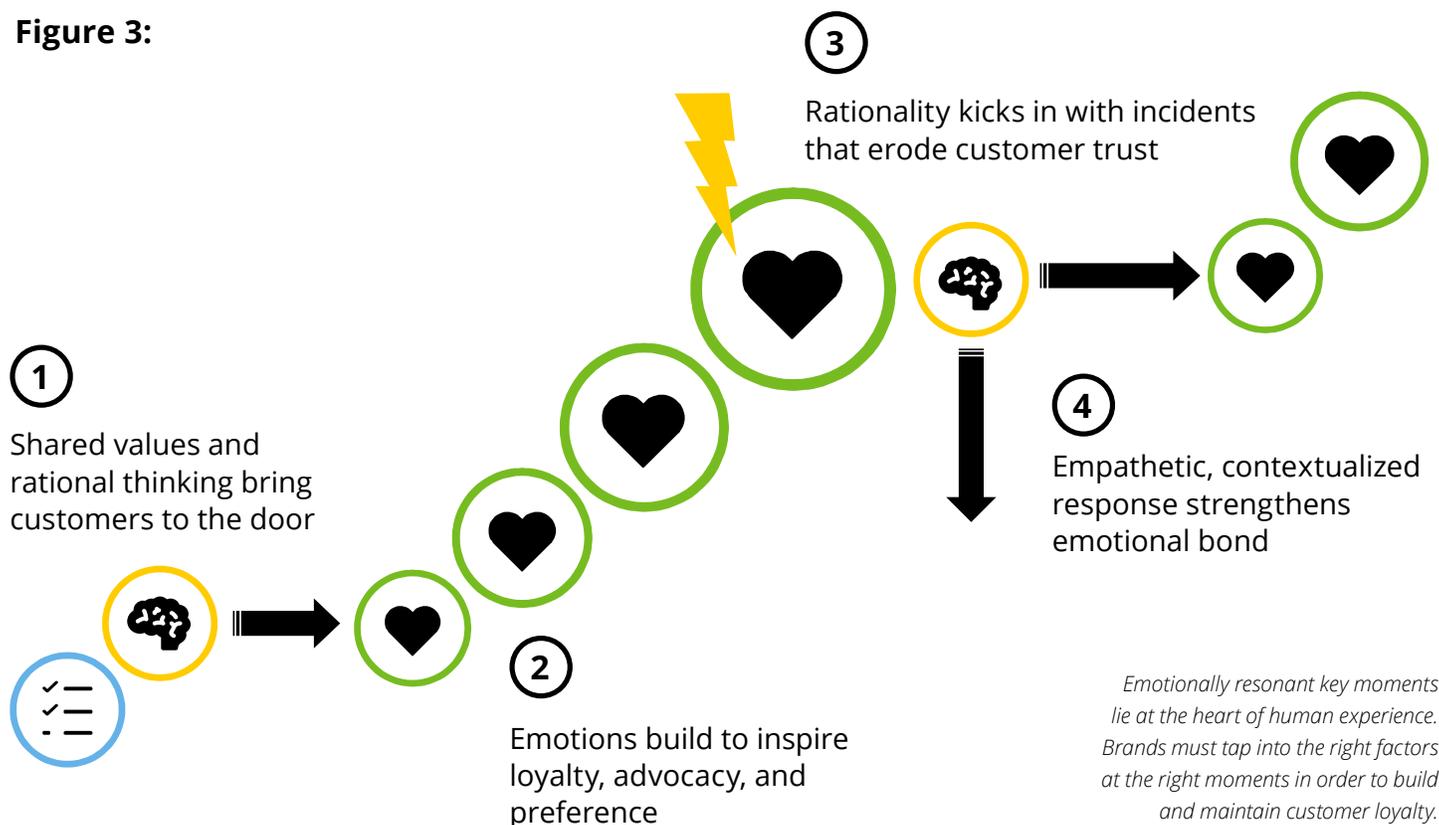
Most organizations already have a wealth of data about customers that can help jump start this process. It's gathering and using that data—at the right time, in the right way,

at scale—that will distinguish tomorrow's most beloved brands.

Where to start? The answer is going to be very different for each stakeholder in an organization, and obviously the needs of each organization vary.

The key is, simply, to start.

Figure 3:







EXECUTIVE SUMMARY

Leading the OpCX revolution.

Deloitte's research uncovered the balance between three defining factors that drive consumer behavior: emotional connections, rational connections, and value-based connections. The research showed that each factor is significant at distinct moments. To build strong connections with customers and inspire long-term loyalty, brands must tap into the right factors at the right moments by putting human needs at the center.

Understanding customers' emotions and responding contextually and automatically requires an emotionally intelligent technology ecosystem that adapts to the moment at hand. It means looking beyond customer experience, or CX, to the broader, deeper connections that make up human experience or HX.

What is OpCX?

OpCX is the discipline of embedding emotionally intelligent HX capabilities into every fiber of a company's operations to deliver human experience at scale.

This transformation can't only be a function of marketing—and it likely can't be achieved through incremental change to existing CX capabilities. Elevating CX into a true operational discipline—OpCX—allows companies to infuse customer expectations into a disciplined and cohesive technology ecosystem capable of translating human insights into actions.

Priority considerations include:

Technology — Legacy, siloed CX systems that have sufficed in the past won't be up to the task; nor can human customer service agents keep pace with the widening array of customer inputs and rising expectations. The goal is a cohesive, emotionally intelligent technology ecosystem that leverages both operational and contextual data to adapt to the moment at hand, moving away from a linear touch point management approach to a more dynamic, responsive, contextually driven paradigm for customer connection and human experience.

Data and governance — Beyond legal, ethical, and reputational risks, companies must vigilantly watch for HX risks within the data they collect. Today's consumers are

well aware that their data is being collected by brands—but when collection starts to feel like unwelcome surveillance, trust is quickly broken. To avoid breaching trust, risk assessment should be woven into the very fabric of the HX ecosystem.

Functional silos — As discussed in finding 4, it is impossible to create the kind of cohesive, informed, contextually appropriate connections that consumers expect if CX has evolved as siloed capabilities. When companies fail to create a seamless “wow” experience in every interaction with customers, they risk breaking the trust on which emotional connection is built. The OpCX revolution is about building engagements and capabilities according to the needs of the customer rather than to the structure of a company's operations.

RESEARCH BACKGROUND

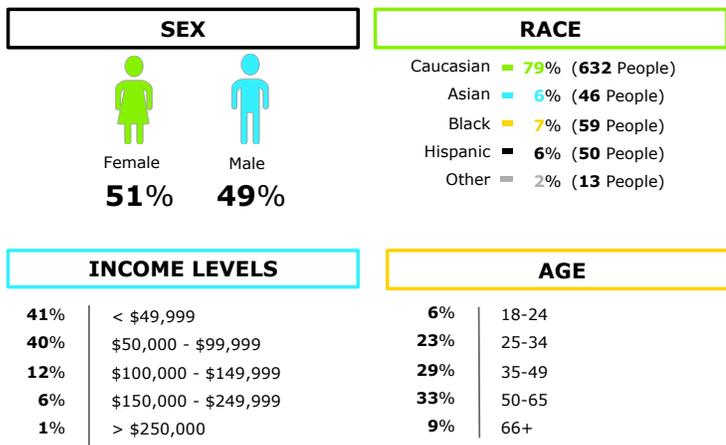
Methodology

Deloitte employed an innovative multimethod research approach to understand how emotions impact consumers. The methodology integrated traditional primary research including consumer surveys and online panel sessions with social listening and meta-analysis of Deloitte Voice of Customer data.

Primary data sources

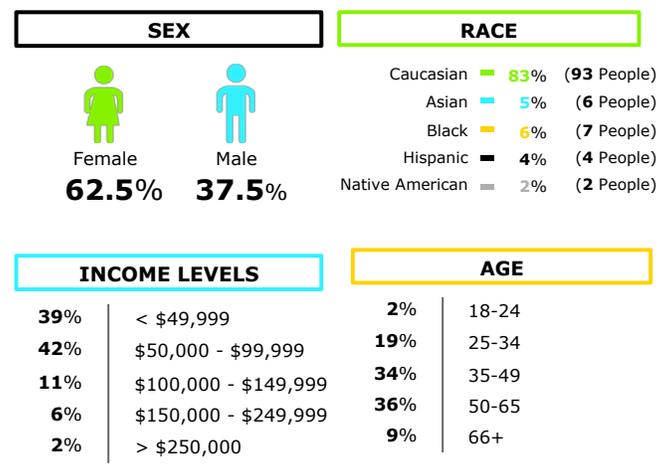
General consumer survey — 800 completes; 28 questions

Value: Insights into why people love brands and the organization's role in that affinity



Online panel session — 112 participants; 42 questions

Value: Testing of different hypotheses in real time with pointed questions about brand experience



Secondary data sources

Social media listening and analysis — 91 million posts across 30 brands in 11 industries

Value: Real consumer mentions of emotional keywords, with descriptions of their brand experiences, loyalties, or affinities—providing greater context to the development of the survey and panel guide

Meta-analysis of Deloitte Voice of Customer data — 2,090 completed surveys from two service-driven industries

Value: Real-world data to correlate actual customer experiences

Endnotes:

¹ <https://amdgtl.com/blog/emotional-marketing-multifamily-marketers>



Get in touch

Tim Greulich

Operational Customer
Experience Practice Leader
tgreulich@deloitte.com

Angel Vaccaro

Hux Practice Leader
avaccaro@deloitte.com

Jennifer Buchanan

Customer Experience
Insights Leader
jenbuchanan@deloitte.com

Sarah Logman

Data Science Leader
slogman@deloitte.com

As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting. This publication contains general information only and is based on the experiences and research of Deloitte practitioners. Deloitte is not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.