

Loyalty Deciphered-

How **Emotions** Drive
Genuine Engagement





Introduction

Current loyalty approaches are broken. Brands spend billions on loyalty programs but fail to increase customer engagement. Our previous research showed that 90% of consumers have a negative perception of loyalty programs.¹ In addition, over half (54%) of loyalty memberships have fallen inactive and over a quarter of consumers (28%) abandon loyalty programs without redeeming any points.²

Many of today's loyalty programs attempt to buy consumer loyalty through monetary rewards. The consumer might receive discounts or vouchers and, in return, organizations expect them to spend more or give up their data. Many organizations run these sorts of programs and achieve what looks like loyalty, at least on the surface.

But what does it really mean for a consumer to be loyal to a brand?

To uncover the true drivers of loyalty, we undertook a worldwide, cross-sector research program. We broadened our perspective—exploring beyond the mechanical and rational drivers associated with conventional loyalty programs. We explored loyalty from an emotional perspective to identify the drivers that brands can harness to build meaningful loyalty with consumers. We surveyed over 9,000 consumers and 500 executives, and we spoke to leading academics in the field. The Research Methodology at the end of this report provides further details.

We found that emotions play a far greater role in creating true loyalty than current approaches recognize. In this report we:

1. Explore how emotions are the main driver of loyalty
2. Understand who emotionally engaged consumers are and what motivates them
3. Assess the size of the prize for organizations with emotionally engaged consumers
4. Recommend strategies for how organizations can make better emotional connections with consumers.

Emotions are the main driver of loyalty

How loyal are consumers really? How many “loyal” consumers would abandon a brand the instant a more compelling offer comes along?

Building more meaningful, deep-rooted loyalty means thinking less about points and rewards and more about driving deep emotional engagement. Leading organizations seek to create loyalty through propositions that are more holistic and rooted in experiences. The aim is to engage consumers both rationally and emotionally.

Colin Shaw, author of six best-selling books on customer experience and CEO of Beyond Philosophy, says: **“Typically, loyalty is viewed by organizations as customer purchases and repeat visits. This is looking at it solely from a rational perspective. Many organizations do not consider that loyalty is an emotional attachment. The reason customers return is not just a rational perspective but an emotional perspective.”**

To examine both emotional and rational needs, we developed a number of indices, examining the impact of emotional factors, rational factors, and brand values on loyalty levels (see Figure 1). The higher the score in an index, the greater the influence on loyalty.

Figure 1. Definition of Indices

Emotions Index

Emotions consumers feel when they think about the brands they use or visit frequently

Rational Index

Consumers' views on the importance of rational factors when deciding which brands they will be loyal to

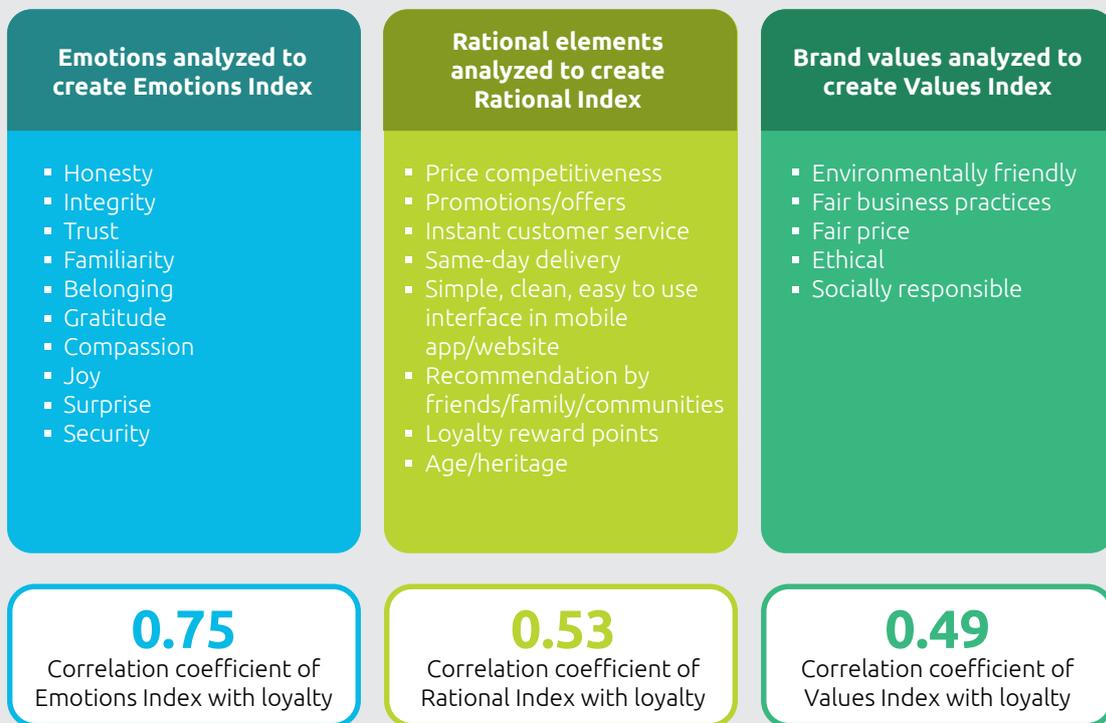
Values Index

Consumers' views on the importance of brand values when deciding which brands they will be loyal to

Emotions have the strongest impact on loyalty

Among the three indices, the correlation between emotions and loyalty is by far the highest (see Figure 2).

Figure 2. Correlation between indices and loyalty overall and by sector



Correlation coefficient of indices with loyalty by sector:

 Retail	0.74	0.55	0.48
 Financial Services	0.68	0.44	0.45
 Automotive	0.71	0.48	0.41
 Telecom	0.71	0.45	0.45

Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

Executives believe they understand consumers' emotions, but only **15%** of consumers agree

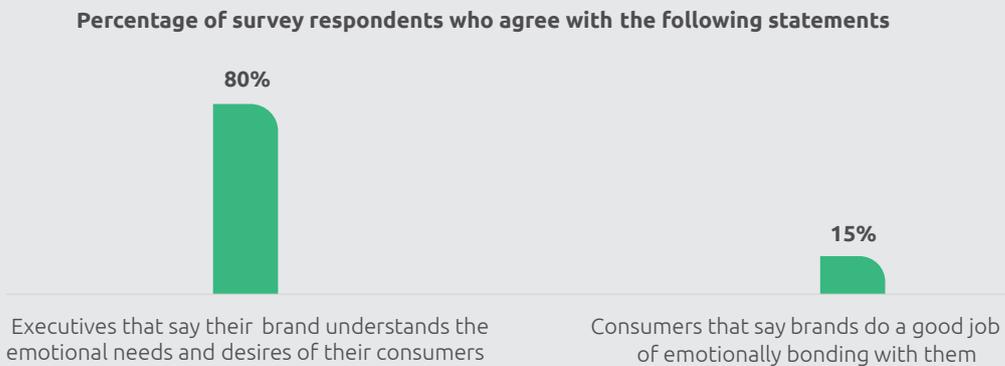


Organizations are already prioritizing emotional connections. A senior marketing executive from a global beverages firm, says: **“People need to feel connected to the brand and connecting emotionally with customers is a top priority for us.”** And the head of digital customer experience at a US restaurant chain added: **“Our company has been around for a long time. We are deeply connected to the communities we serve. We try to remain genuine and always listen to our customers and do the things they want us to do. We don’t always get it right, but being consistent,**

genuine, and trustworthy helps emotionally connect with customers.”

With the exception of some leaders in this field, we found an overall disconnect between executives and consumers on how well organizations are making emotional connections. The majority of executives we surveyed (80%) say their brand understands the emotional needs and desires of consumers. But only 15% of consumers say that brands do a good job of emotionally bonding with them.

Figure 3. A disconnect exists between executive and consumer views on emotional engagement



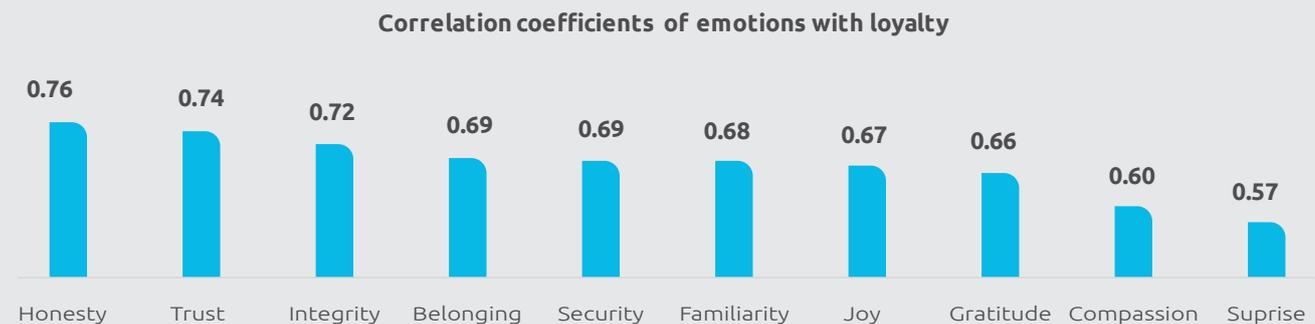
Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers; N=548 executives.

Honesty and trust have the greatest influence on loyalty

Our research also reveals the specific emotions that have the most impact, by testing the correlation between emotions and loyalty (see Figure 4). Honesty, trust, and integrity are the top three emotions. Surprise does not appear to be as influential on loyalty as the other emotions. Despite this, surprise is often the go-to emotion brands seek to evoke when trying to build a more loyal relationship and certainly it can be a successful tool in the right circumstance. Our findings suggest that “surprise-and-delight” loyalty

initiatives only have long-term influence on a small segment of consumers. In fact, consumers who prioritize “surprise” over all other emotions are more likely to be in the 53–71 age group, male, single, and live in urban locations. Straightforward, simple, honest, predictable loyalty initiatives appeal to a broader audience—with honesty, trust, and integrity being the major emotions influencing loyalty for most demographic segments.

Figure 4. Honesty and trust have the greatest influence on loyalty



Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

We asked consumers in our focus group discussions what word first comes to mind when they think of “loyalty.” United States participants most commonly cited trust and respect. Participants in the United Kingdom commonly cited trust as well as honesty. A US focus group participant explained how trust is important to how he defines loyalty in his life:

“Loyalty means to me having someone or something that I’ll always turn to. I will trust them to do the right thing. And, occasionally, if they do something wrong, I’m more willing to patch things up with them.”

Rational factors and brand values are also important to foster loyalty

While our research revealed that emotions have the strongest correlation to loyalty, there does need to be a balancing act with rational benefits. Consumers with high emotional engagement (refer to page 10 for details on our segmentation of consumers) still believe rational factors and brand values are important when they decide which companies to be loyal to.

Approximately 80% of emotionally engaged consumers say that price competitiveness, promotions, and instant customer service are important factors when deciding which brand to be loyal to. Moreover, 70% of emotionally engaged consumers say that certain brand values—such as being

socially responsible or environmentally friendly—are also important.

Emphasizing brand values can be attractive to certain consumers, as the head of strategy for a large consumer goods company confirms: **“Values like environmentally friendly, green, or being ethical effect a minority of customers, but probably not for the majority of customers.”**

As shown in Figure 5, segmentation analysis of consumers who prioritize emotional engagement, rational factors, or brand values reveals differences in key demographics and digital behaviors.

Figure 5. Key consumer segments according to which emotions, rational factors, or brand values are most important

Consumers who prioritize <u>emotions</u> over rational factors and brand values	Consumers who prioritize <u>rational factors</u> over emotions and brand values	Consumers who prioritize <u>brand values</u> over emotions and rational factors
Compared to the other two consumer groups, most likely to:	Compared to the other two consumer groups, most likely to:	Compared to the other two consumer groups, most likely to:
• Be in the 22—36 age group	• Be in the 37—52 age group	• Be in the 53—71 age group
• Have dependent children 12 years or younger	• Be married	• Be female
• Download/stream video content related to purchase needs	• Download/use mobile apps to browse, compare, review, and/or purchase products	• Live in suburban or rural locations
• Text message brands for purchase needs	• Email brands for purchase needs	• Not have dependents
		• Browse the web for brands for purchase needs

Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

Note: Consumers with a higher score in emotions index compared to rational and value index are considered as consumers who prioritize emotions higher than rational factors and brand values (n=746). The same analysis was completed for consumers who prioritize rational factors (n=1,770) and brand values (n=1,328).

Consumer loyalty across countries and sectors

We assessed consumers' loyalty to brands they use or visit frequently in each of the four sectors (see Figure 6).

Figure 6. Loyalty to financial services brands is the highest across all countries

		 Retail	 Financial Services	 Automotive	 Telecom
	US	53%	73%	63%	56%
	UK	41%	53%	47%	47%
	France	57%	74%	52%	54%
	Germany	53%	65%	52%	50%
	Spain	61%	66%	58%	55%
	Italy	69%	74%	66%	63%
	Sweden	33%	56%	41%	45%
	Netherlands	47%	70%	51%	56%
	Brazil	60%	73%	60%	60%

Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

*Percentage indicates consumers who rated high level of loyalty for brands they use or visit frequently by sector (5, 6, and 7 out of a scale of 1 to 7, where 1=low loyalty and 7=high loyalty).

Who are emotionally engaged consumers and what motivates them?

From our research, we identified a subset of consumers with high emotional engagement, as well as a subset of consumers with low emotional engagement to assess differences between the two groups.³ By understanding who emotionally engaged consumers are—and what they need—brands can better tailor their experiences.

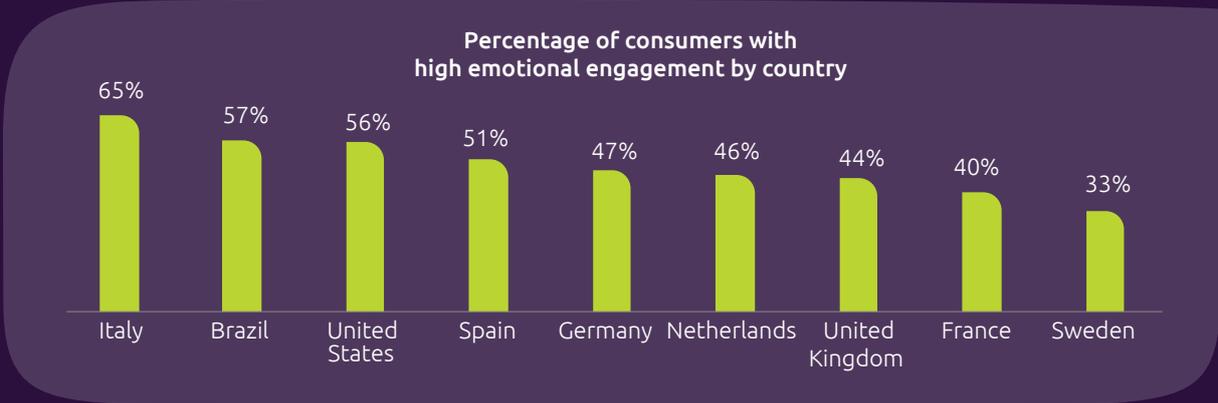
We found that emotionally engaged consumers are present across sectors. For example, 51% of consumers in financial services and 46% of consumers in retail can be described as emotionally engaged. “The footprint of the emotionally engaged” provides more background on this demographic.

Our research shows that emotionally engaged consumers:

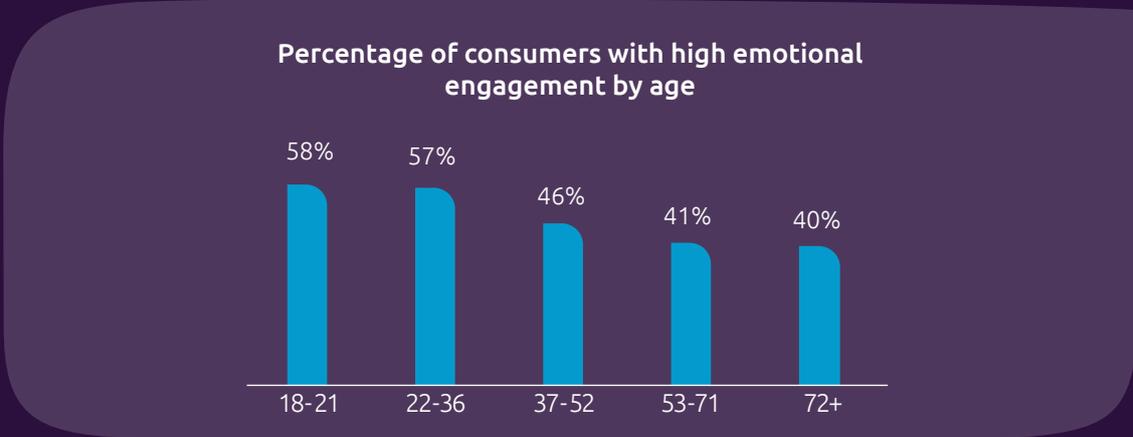
- Expect two-way interaction
- Have higher expectations for brands
- Seek real-time and varied interaction opportunities
- Want differentiated shopping experiences
- Associate specific emotions with brand interactions.

The Footprint of the Emotionally Engaged

Italy comprises the **largest** proportion of consumers with high emotional engagement



Millennials comprise the **largest** proportion of consumers with high emotional engagement



Urban locations comprise the **largest** proportion of consumers with high emotional engagement



Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

*Proportion represents the percentage of consumers with high emotional engagement out of 100 in that particular country, gender, age group, or location.

Emotionally engaged consumers expect two-way interaction

As shown in Figure 7, the vast majority of emotionally engaged consumers (86%) expect a brand to show how it is loyal to them, regardless of participation in a “formal” loyalty program. This expectation drops,

but still remains significant at 54%, even in consumers with lower levels of emotional engagement. The clear message here is that consumers expect loyalty to be more than just a program.

Figure 7. Eight in ten consumers with high emotional engagement expect reciprocation of loyalty



Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

“If you are loyal to someone or something you have to care and show your love. That is an important part of loyalty for me.” —Focus group participant

69% of emotionally engaged consumers want the brand to play a greater role in their life

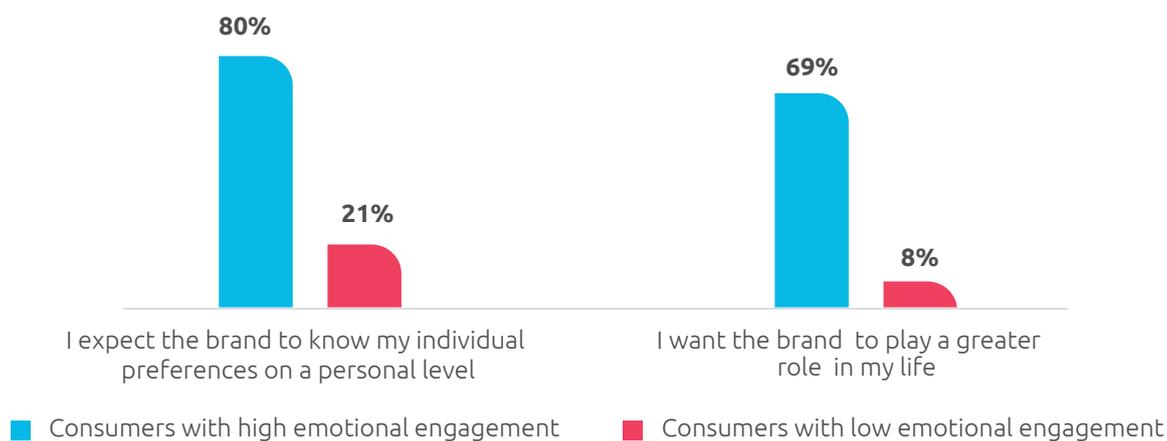
Emotionally engaged consumers have higher expectations for companies

There are significant differences between the engaged and the less engaged when it comes to expectations surrounding recognition and the role a brand plays in the lives of consumers. Consumers with high emotional engagement have significantly higher expectations of the brands toward which they feel loyalty. They expect to be known and they want the brand to play a role in their

life. As shown in Figure 8, 80% of consumers with high emotional engagement said they expect the brand to know their individual preferences on a personal level, but this drops to just over 20% for the less engaged. Approximately seven in ten also want the brand to play a greater role in their lives.

Figure 8. Eight in ten consumers with high emotional engagement expect the brand to know their individual preferences

Percentage of consumers who agree with the following statements



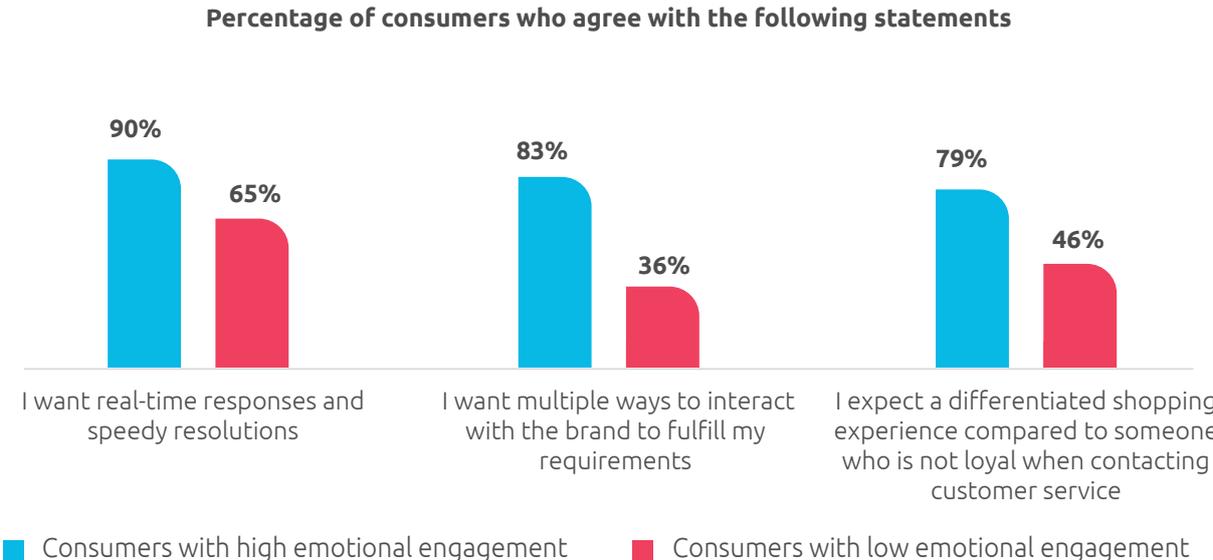
Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

Emotionally engaged consumers seek real-time and varied interaction opportunities

Emotionally connected consumers expect a level of communication commensurate with the expectations they would have for a personal relationship—real-time access and flexibility. We found that nine in ten emotionally engaged consumers want real-time responses and speedy resolution compared to 65% of the less engaged. In addition, 83% of emotionally engaged consumers want multiple ways to interact with brands compared to 36% of the less engaged

(see Figure 9). And if they have a favorable interaction, there are positive results. We found that 83% of emotionally engaged consumers said their loyalty will increase following a positive interaction with after-sales support. In order to achieve emotional loyalty beyond a loyalty program, companies need to think of service channels as relationship channels, not cost centers.

Figure 9. Nine in ten consumers with high emotional engagement want real-time responses



Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

75%
of emotionally engaged consumers
expect differentiated shopping
experience when online

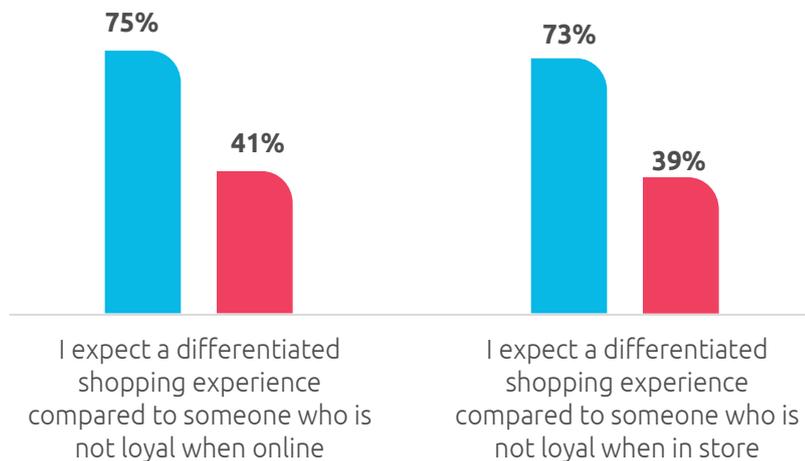
Emotionally engaged consumers want differentiated shopping experiences

Seventy-five percent of emotionally engaged consumers expect a differentiated shopping experience when online versus 41% of consumers with low emotional engagement. In addition, 73%

of emotionally engaged consumers also expect differentiated shopping experiences when in store (see Figure 10).

Figure 10. Roughly three quarters of consumers with high emotional engagement expect differentiated shopping experiences

Percentage of consumers who agree with the following statements



■ Consumers with high emotional engagement

■ Consumers with low emotional engagement

Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

Emotionally engaged consumers associate specific emotions with brand interactions

When we look at emotionally engaged consumers, we find that they associate emotions with different interactions. For example, when asked to participate in product planning or beta testing, over one in five feel a sense of “belonging” (see Figure 11).

We find that different consumer groups are moved by different tactics. For example, personalized product recommendations resonate most with emotionally engaged consumers in the 18–21 age group. However, choosing the rewards they feel valuable resonates most with consumers

in the 22–36 age group. Companies need to employ many tactics simultaneously both to appeal to a broader group of consumers and to create a multiplier effect of emotional engagement. This is because a single tactic is not going to achieve the emotional connection necessary. As Jeanne Bliss, author of the book Chief Customer Officer 2.0 and CEO of consulting firm Customer Bliss says: **“A company can operationalize feelings into an experience. Knowing what emotions customers have to enable a positive experience is important.”**

Figure 11. Different consumers are moved by different emotion-motivated tactics

Activity	Top Emotion Associated with the Activity (% of consumers with high emotional engagement)
I am asked to participate in product planning/beta testing	Belonging (21%)
I receive timely responses to my messages/complaints on social media	Trust (20%)
Special occasions in my life are recognized (e.g. birthday, first job)	Joy (19%)
I am invited to special/exclusive events	Belonging (17%)
I can pick and choose the rewards I deem most valuable	Gratitude (17%)
My feedback is solicited after every interaction point	Belonging (16%)
I am able to contribute towards the brand's charity/philanthropy initiatives	Compassion (16%)
I receive personalized product recommendations based on my needs and preferences	Honesty (14%)

Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers; ranked by top emotion.

“A company can operationalize feelings into an experience.”

- Jeanne Bliss, Author Chief Customer Officer 2.0

Digital at the Forefront of Emotional Engagement

Digital technologies enable organizations to decode consumer behavior through emotion analytics, wherein organizations use voice, video, neuroscience, and wearables to understand consumer emotions. The global emotion analytics market is estimated to grow at a CAGR of 82.9% to 2022.⁴

For example, Humana, an American health insurance company, uses artificial intelligence to analyze the tone of the consumer and help customer support agents interact effectively. This enables the support agents to understand subtle cues in the conversation.⁵

Walmart uses video cameras at checkout counters to identify unhappy consumers through facial analytics. Walmart also plans to link the facial expressions to

consumer spend patterns to gain a better understanding of their consumers.⁶

Japanese clothing brand Uniqlo uses neuroscience to detect consumer emotions. Consumers' brain activity is measured through a sensor in a headset as they watch short videos. Uniqlo maps metrics—such as concentration, stress and drowsiness—through the sensors, and tries to match a style based on user mood.⁷

Huggies, a disposable diaper brand, developed a pregnancy belt for dads to feel and share in their unborn baby's movement. The expectant mother wears a belt with electronic sensors that detect baby movements and signals are transmitted to the belt worn by their partner.⁸

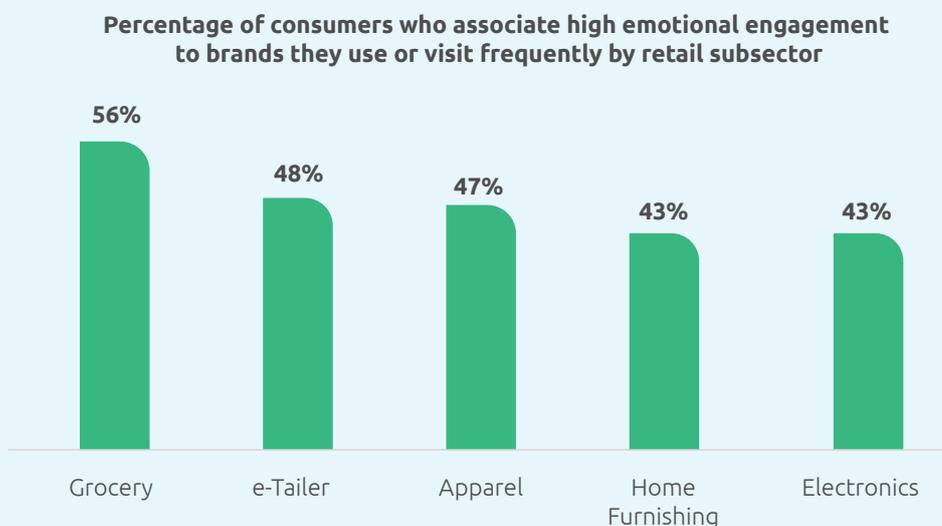
What is the level of emotional engagement within retail subsectors?

We took a deeper look at the retail industry and examined the emotional engagement of consumers across a number of retail subsectors, including grocery, home furnishings, apparel, electronics, and e-tailing (i.e. retailers that sell exclusively online).

As Figure 12 shows, over half (56%) of consumers associate high emotional engagement with grocery.

Nearly half (48%) of consumers are emotionally connected even when shopping online, which is often thought of as a shopping experience with a less human characteristic. Fewer consumers (43%) associate high emotional engagement with home furnishing and electronics.

Figure 12. Grocery has the largest proportion of consumers with high emotional engagement

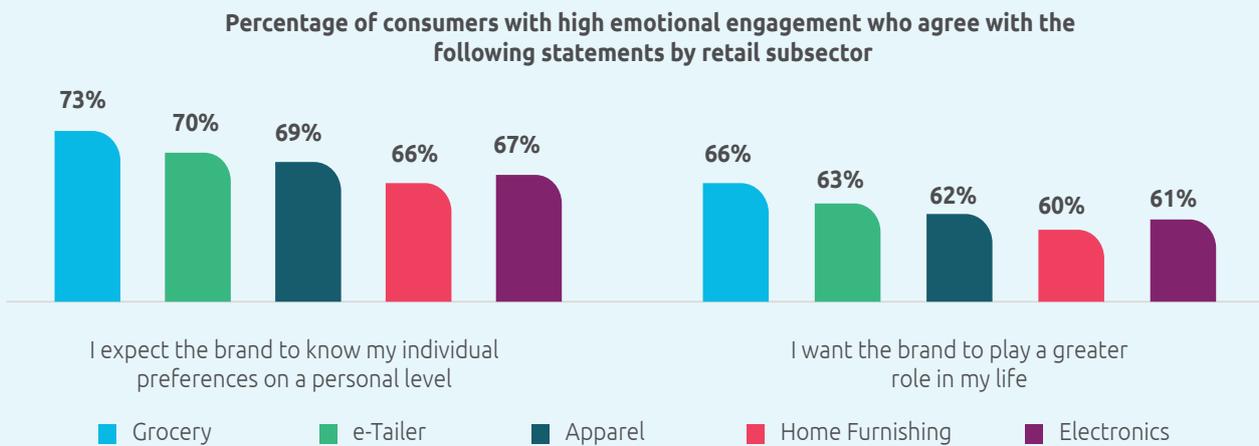


Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

Most emotionally engaged consumers expect the brand to know their individual preferences across all retail subsectors, with the highest percent in grocery

(73%). Between 61% and 66% of emotionally engaged consumers want the brand to play a greater role in their life across all retail subsectors (see Figure 13).

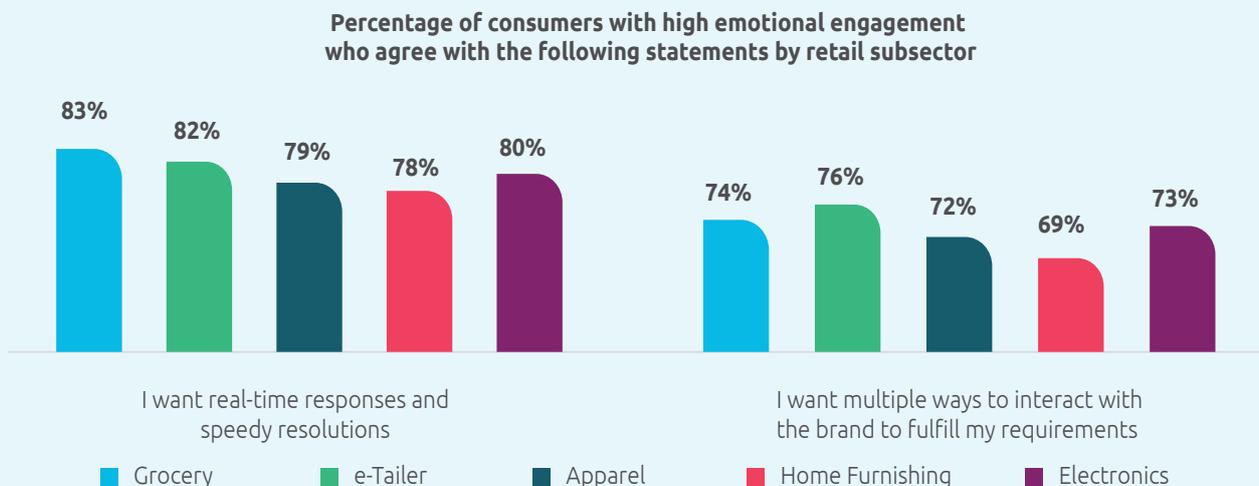
Figure 13. Approximately 70% of consumers with high emotional engagement expect the brand to know their individual preferences



Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

Roughly 80% of emotionally engaged consumers want real-time responses and nearly 70% want multiple ways to interact with brands to whom they are loyal (see Figure 14).

Figure 14. Emotionally engaged consumers seek real-time and varied interaction opportunities across all retail subsectors



Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

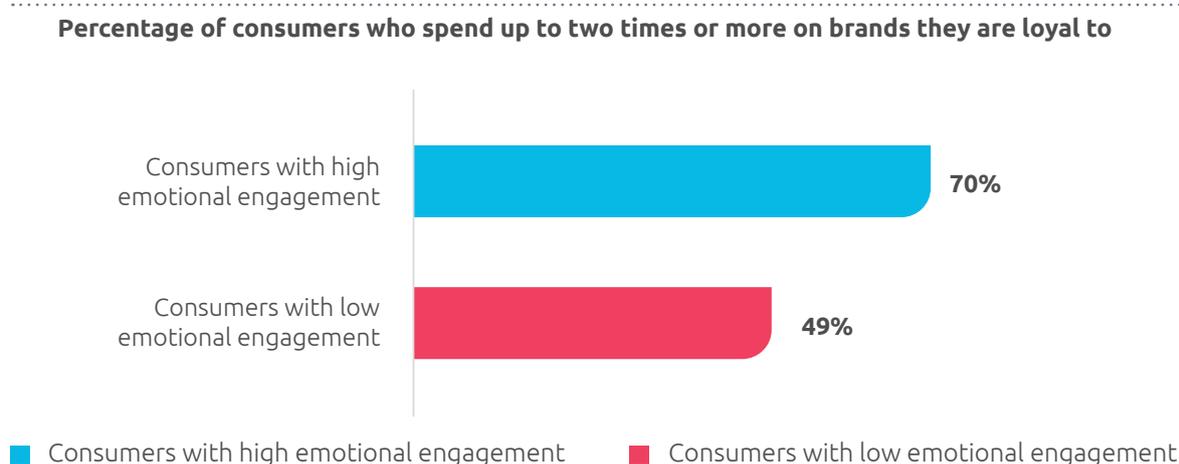
What is the size of the prize for organizations with emotionally engaged consumers?

Emotionally engaged consumers spend more

Seventy percent of emotionally engaged consumers say they spend up to two times or more on brands they are loyal to. In contrast, slightly less than half (49%) of consumers with low emotional engagement say the same (see Figure 15). This data suggests that cultivating emotional connections with consumers could

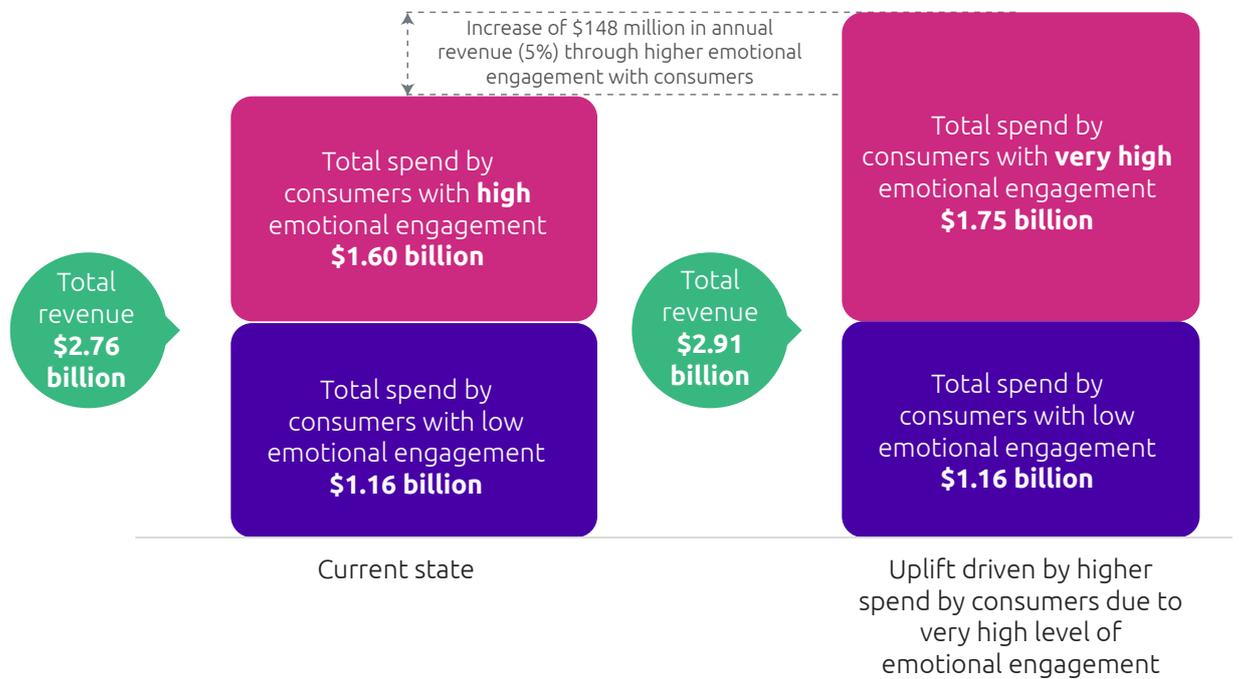
result in a significant lift in basket or transaction size. Augmenting loyalty initiatives with tactics that foster emotional connection to the brand (both within and beyond the loyalty program itself) will generate additional lift and/or help retain the most valuable consumers.

Figure 15. Seven in ten consumers with high emotional engagement spend up to two times or more on brands they are loyal to



Building on the results of our consumer survey, retailers leave millions on the table by neglecting to connect emotionally with consumers (see Figure 16).

Figure 16. Increasing the level of emotional engagement with consumers could drive a 5% uplift in annual revenue in the retail sector



Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers; Capgemini Digital Transformation Institute analysis; FMI and the Foundation for Meat Research and Poultry Education; average basket size for grocery; all numbers have been rounded.

*Note: The case is of a hypothetical grocery store with annual revenue of \$2.8 billion, average basket size of \$41, and one million customers making 52 visits annually; based on the results of our survey, 46% of consumers have high emotional engagement to retail, 54% of consumers have low emotional engagement to retail; 43% of consumers with high emotional engagement spend up to two times or more and 27% of consumers with high emotional engagement spend up to five times or more.

Emotional engagement with consumers could drive a **5%** uplift in annual revenue

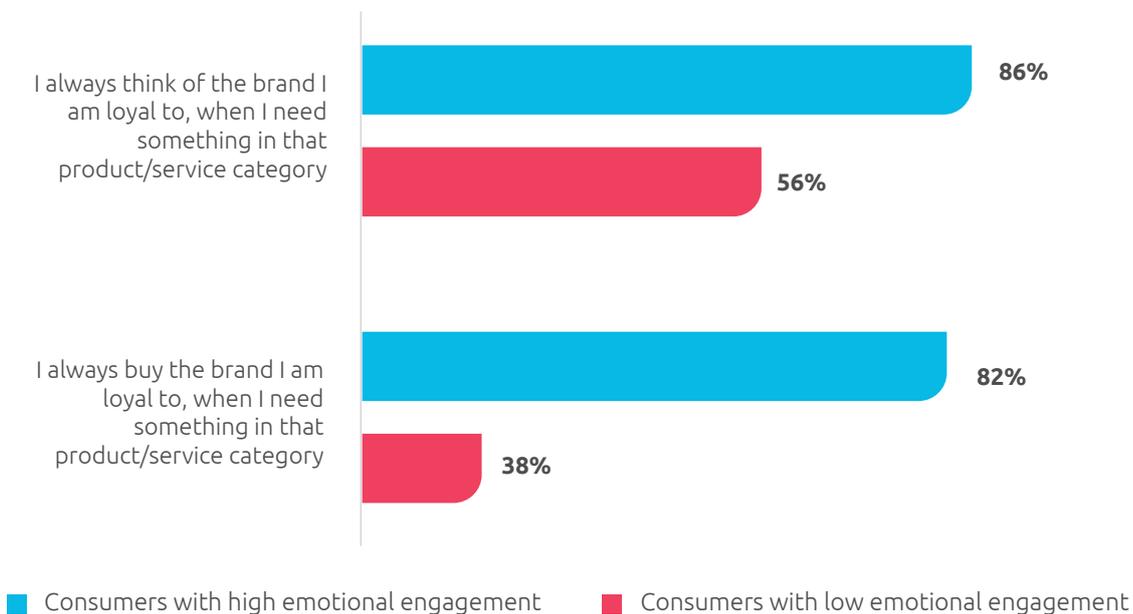
Consumers with high emotional engagement have a high propensity for brand recall and purchase

We found that 86% of consumers with high emotional engagement say they always think of the brands they are loyal to when they need something, and 82% always buy the brand when they need something. This compares to 56% and 38% of consumers with low emotional engagement (see Figure 17). By cultivating emotional connections with consumers, brands can benefit not only from greater wallet share of their

loyal consumers but also the positive word-of-mouth. As the Global Marketing Director of a cosmetics firm told us: **“We are more focused on the emotional perspective because it is more valuable. Everyone can do promotions, but this does not bring value to the brand. If we’re able to increase the emotional connection that’s where we bring value to the brand.”**

Figure 17. Consumers with high emotional engagement have a high propensity for brand recall and purchase

Percentage of consumers who agree with the following statements

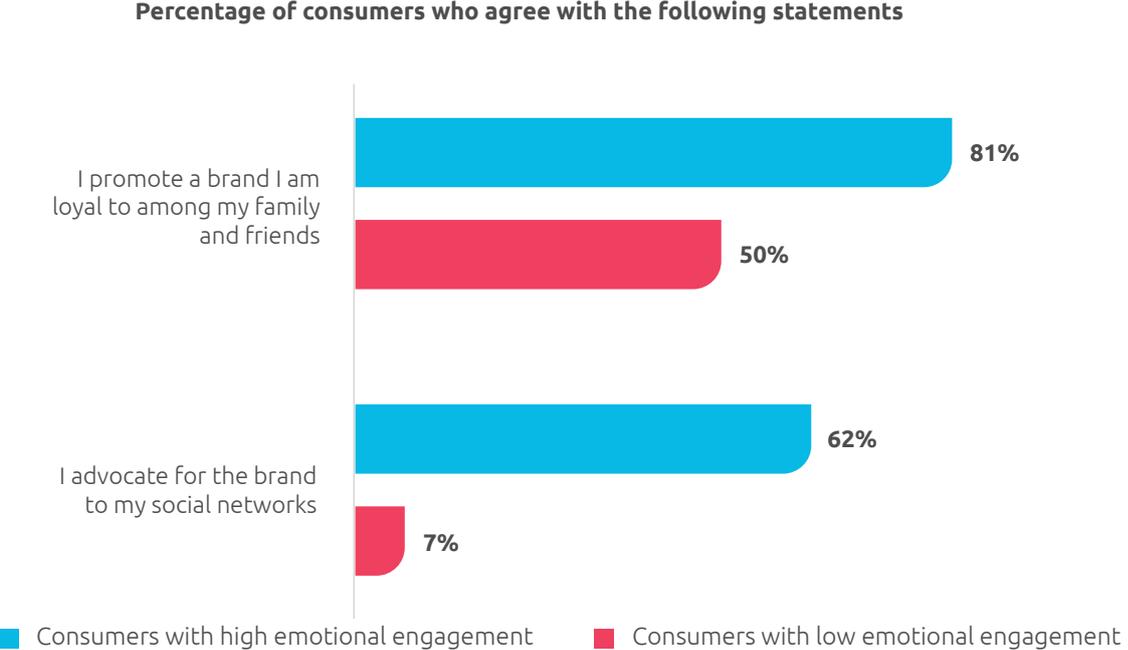


Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

Emotionally engaged consumers promote brands they are loyal to

Consumers' willingness to promote a brand shows significant variance. As Figure 18 shows, eight in ten emotionally engaged consumers say they promote brands they are loyal to among their family and friends compared to 50% of the less engaged. Companies with strong emotional connections will find their most loyal consumers acting as their marketers and brand evangelists.

Figure 18. Eight in ten consumers with high emotional engagement promote a brand they are loyal to among family and friends



Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

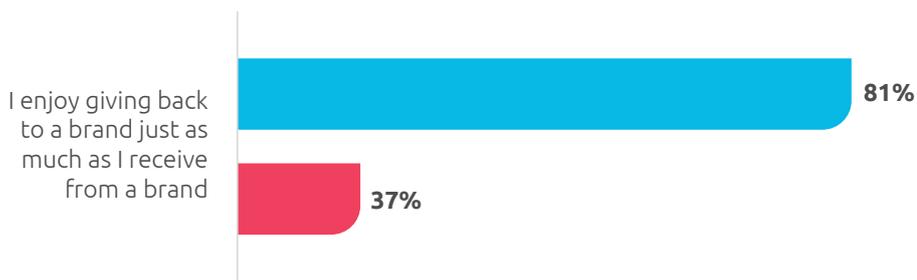
81%
of emotionally engaged consumers
enjoy giving back to a brand just as
much they receive from a brand

Emotionally engaged consumers enjoy giving back

Eight in ten emotionally engaged consumers enjoy giving back to a brand as much as they enjoy receiving from it. This is compared to only 37% of consumers with low emotional engagement (see Figure 19). Just as in human relationships, when consumers become emotionally connected with a brand, their desire to give back is triggered, and the emotionally engaged are twice as likely to give back to the brand.

Figure 19. Eight in ten consumers with high emotional engagement enjoy giving back to a brand

Percentage of consumers who agree with the following statement



■ Consumers with high emotional engagement ■ Consumers with low emotional engagement

Source: Capgemini Digital Transformation Institute survey, The Key to Loyalty; August–September 2017, N=9,213 consumers.

The road ahead - How can organizations make better emotional connections with consumers?



As this research demonstrates, consumers' emotions play a critical role in determining which brands they are loyal to. As Colin Shaw, recognized by LinkedIn as one of the top 150 business influencers and an expert on customer experience, says: **"Most organizations think customers are rational and only make a decision based on product, but actually there is much more at play. The emotional side absolutely has greater**

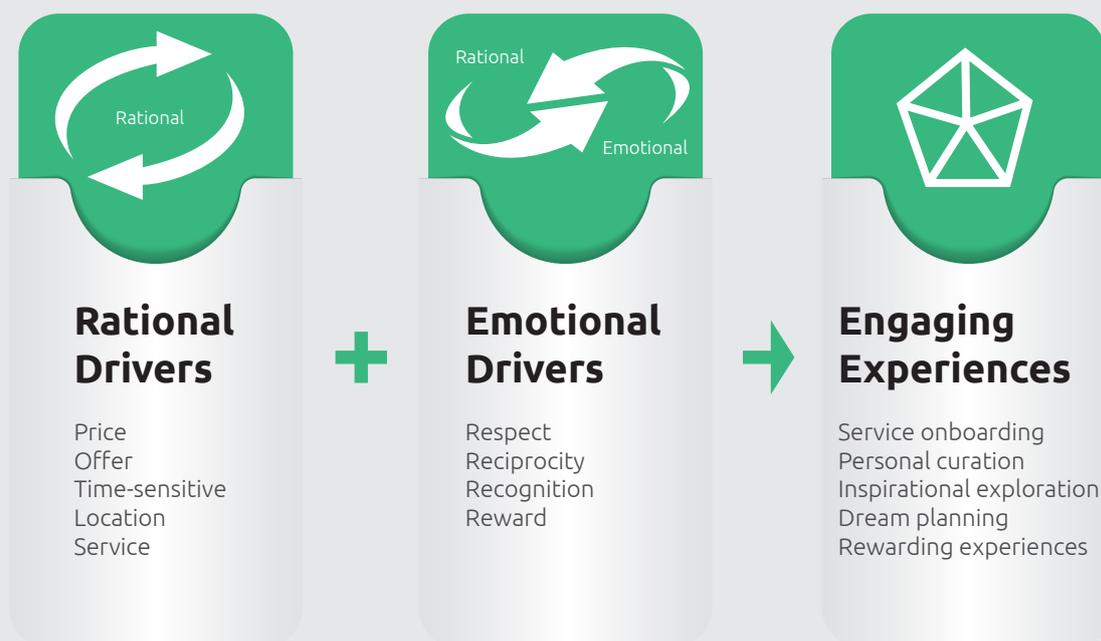
influence on loyalty than the rational side. Only in recent years are organizations starting to recognize this. However, too many are still stuck in the past." Organizations need a balanced approach of rational and emotional factors to drive customer engagement and loyalty with the emotionally engaged and to win the hearts and minds of the less engaged.

Drive "human loyalty" to create genuine engagement

We have developed an approach to pinpoint the emotions that play a big part in loyalty propositions—respect, recognition, rewarding experiences, and reciprocity. The leading brands will be those that develop propositions that strike a balance across these emotional drivers as well as rational ones. We call propositions that strive for this more holistic and emotional connection to consumers as "human loyalty" (see Figure 20). This reflects the fact that humans have an inherent

desire to belong. As Heiner Evanschitzky, Professor and Chair of Marketing at Aston Business School in the UK, says: **"Brands can benefit from the natural tendency in human beings to want to be loyal. From learnings in the humanities and biology and over millions of years of evolution, humans can only survive when they are in loyal groups. Brands and companies can capitalize on this human need."**

Figure 20. Approach to drive human loyalty



Source: Capgemini Digital Transformation Institute

Engage emotionally by focusing on the “4 Rs”

So how might an organization form more of an emotional bond with consumers? Drawing on our research, we identified a leading group of organizations (22% of our sample) that had formed strong emotional connections with consumers.⁹ We compared their practices against a lagging group of companies that had not built such strong connections.

- **Respect—Do what you say you will do to promote honesty, trust, and integrity**

In order to command respect, companies must go beyond transactions and develop deep relationships with their consumers. Companies can show respect to their consumers in a variety of ways. For example, they can respond to their queries in real time, ensure they do not make them wait, and use the information that consumers share to improve their experiences. Such actions will enhance consumers’ feelings of honesty, trust, and integrity for companies. All leaders say they provide their consumers’ real-time responses and speedy resolutions compared to 39% of laggards.

The US pizza restaurant chain **Dominos** launched a social media campaign-“What is wrong with the Domino’s Pizza?”-in which it sought feedback from consumers to help improve its pizzas. Consumers appreciated the company’s sincerity in reaching out to them, and as a result, the strategy proved highly successful. Professor Renee Gosline of the MIT Sloan School of Management says, “**People felt that Dominos was honest and really trying to hear them, which built trust.**”¹⁰

- **Reciprocate—Build a two-way relationship**

The two-way nature of loyalty makes it something people enjoy giving as much as receiving. By creating a reciprocal relationship, companies can draw upon the human desires to contribute and to be appreciated. There are a number of ways brands can build that sense of reciprocity. When a consumer shares his or her information, the brand should use it. When a consumer complains about a product or service, the brand should respond promptly and authentically. When consumers cross a milestone (e.g., spend, history), the brand should thank them. Ninety-eight percent of leaders say that their consumers enjoy giving back (e.g., sharing ideas for design, giving suggestions) just as much as they do receiving, compared to 34% of laggards.

Lay’s, a potato chip brand owned by PepsiCo focuses on co-creation in its “Do Us a Flavor” campaign, in which consumers submit their ideas for new flavors. By espousing things Millennials care about such as self-expression, authenticity, and recognition, Lay’s has been able to engage this age group effectively. In 2012 in the US, Lay’s received 3.8 million

55% of leaders recognize a loyal consumer through a mobile phone app compared to **28%** of laggards

flavor submissions in a 12-week period, 1.2 billion impressions on Facebook, and an 8.5% increase in sales.¹¹

- **Recognize—Make the effort to truly know your consumers and understand what they care about to create meaningful experiences**

Brands need to treat their consumers like they are an audience of one—truly unique and special. Information about consumers can be acquired through many channels, including mobile apps and facial recognition and these touch points can also be used to deepen relationships. Over half (55%) of leaders recognize a loyal consumer through a mobile phone app compared to 28% of laggards. Approximately a third (32%) of leaders recognize a loyal consumer through facial recognition at the consumer's discretion compared to 15% of laggards.

Always an early adopter of technology, **Burberry** has woven technology so seamlessly into their consumer relationships that they can track, remember, and anticipate consumer desires. In every Burberry store, associates have a tablet with all relevant consumer information from their activities on Burberry.com as well as in-store. Sales associates offer buying suggestions based on purchase history or social media activity. Burberry's investment in personalized customer management resulted in a 50% increase in repeat customers.¹²

- **Reward—Provide timely, meaningful rewards that promote long-term relationships in exchange for loyalty**

Brands need to create experiences that promote long-term relationships and go beyond transactional metrics. Rewards come in many forms. For example, from things that have monetary value (e.g., competitive prices, special sales), to things that make people feel special (e.g., quality products, exclusive access), to things that make their lives easier (e.g., shorter lines, self-service options), or to an opportunity to give back (e.g., social advocacy). Leaders are much more likely than laggards to offer rewards and incentives that consumers care about such as personalized product recommendations (94% versus 65%), allowing consumers to choose rewards they deem most valuable to them (85% versus 54%) and recognizing and celebrating special moments in consumers' lives (79% versus 48%).

Providing timely and meaningful rewards is something Sephora does well. **Sephora's** Beauty Insider program offers many benefits that go beyond the traditional loyalty program. With over 10 million members, Sephora offers three tiers based on dollar spend and the exclusivity of the top tier inspires its members to strive to get there. Members can use their points to claim beauty products in-store or online and rewards at the higher tiers include exclusive products, events, and even weekend trips, enhancing each visit beyond the purchase.¹³



Measure and optimize to create experiences that matter

In addition to building emotional connections with consumers, brands must measure and optimize those relationships.

To truly build loyalty, brands must measure loyalty. However, this is a deceptively challenging task to conduct. Nearly 80% of executives we surveyed measure loyalty through metrics like average order value of consumers and other purely commercial lenses. The challenge to these approaches is threefold:

- They can help derive rational insights but they tell you nothing of the emotional
- They give you a glimpse of signs of loyalty, but at only one part of the customer journey
- They are a lagging indicator.

It is critical to remember that engagement is a leading indicator that leads to loyalty. By measuring engagement, brands will gain insight into how consumers think about loyalty to the brand, what they care about and, more importantly, what drives loyalty in the consumer base.

Engagement is built across many different connections. Brands must

decide on the connections that truly matter to them and their consumers and devise a mechanism to measure those. The single best way we have observed is to build a customer journey map. In other words, a detailed view of every facet of how consumers interact with your brand, products, promotions, people, and service offerings, both on and offline. Once in place, the next task is to highlight the moments of truth—those key interactions that make the difference between building or destroying a connection at the emotional level. It is during these interactions that consumer perceptions are formed or changed.

To drive an emotional connection with consumers—and guide customer experience investment decisions—measurement and optimization activities need to be focused on these moments of truth. Of course, measurement should not stop there. Every interaction with an emotionally engaged consumer is an opportunity to deepen the relationship and provide more value for the consumer and the brand.

Conclusion

As competition continues to increase and choice proliferates, brands need to ensure they know their consumers at a more “human level” in order to foster lasting connections. They need to create a contextual view of the consumer and their journeys with their brand to understand their evolving needs and desires. Brands must then design and execute compelling and

engaging experiences that matter, where loyalty is the strategic outcome. Doing this will help brands to shift a significant portion of their consumer base from having a transactional relationship to one where meaningful experiences ultimately drive emotional engagement and secure sustainable long-term loyalty.

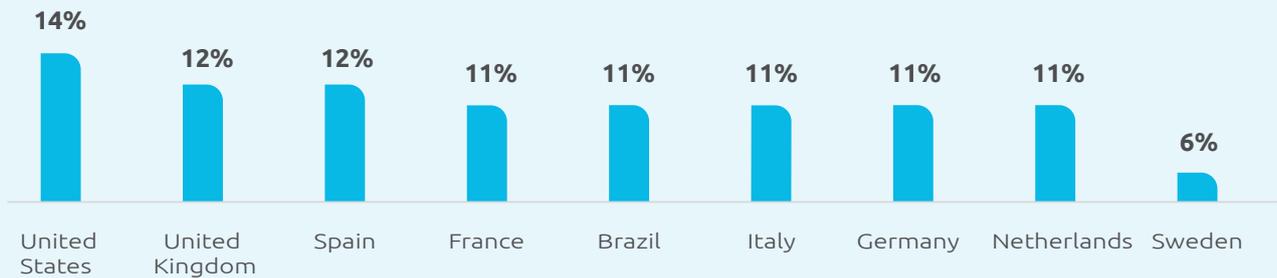
Research Methodology

Quantitative surveys: We surveyed 548 executives at the director level or above with 80% of the executives in companies with reported revenue of more than \$1 billion in FY 2016. We also surveyed 9,213 consumers aged 18+. Both surveys took place from August to

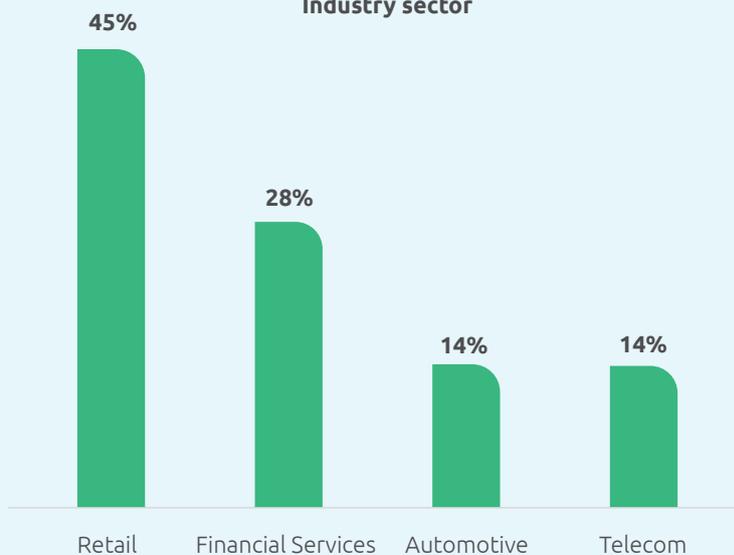
September 2017 and covered nine countries: Brazil, France, Germany, Italy, the Netherlands, Spain, Sweden, the United Kingdom, and the United States and four industries: Financial Services, Retail, Automotive, and Telecom. More detail is below.

Country and industry distribution—Executives

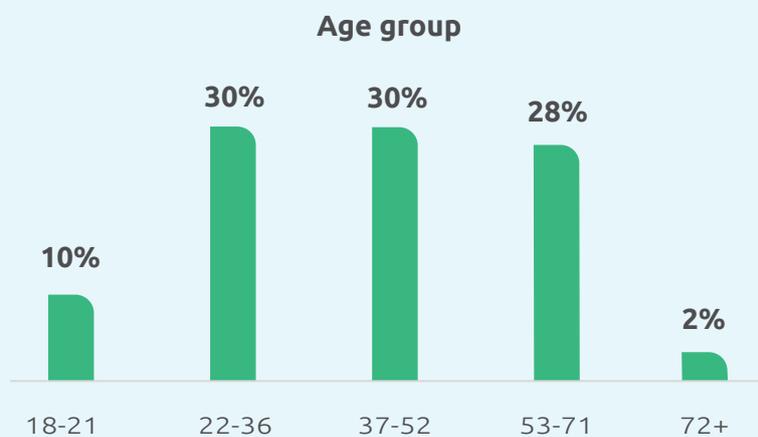
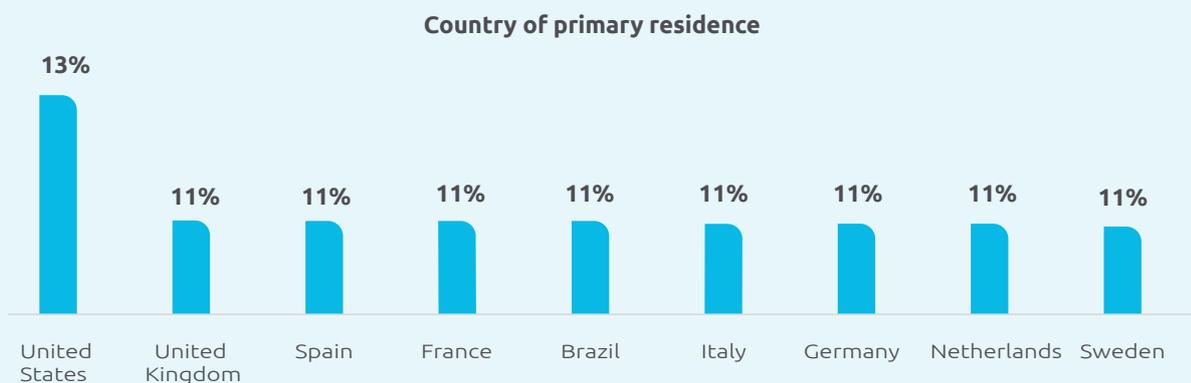
Country of primary residence



Industry sector



Country and age distribution—Consumers



Focus interviews: We held 17 discussions with a wide range of senior executives in customer experience, marketing, and strategy, including Chief Marketing Officers, Chief Customer Experience Officers, Marketing and Branding Directors, Heads of Strategy, and leads of loyalty programs. In addition, we interviewed leading experts in customer experience and loyalty as well as academics. This helped us to understand how organizations define loyalty and how they emotionally connect with consumers.

Consumer focus groups: We conducted two virtual focus groups with consumers. One included consumers living in the United Kingdom and within the 22–36 age group and the second included consumers living in the United States within the 37–52 age group.

Digital Customer Experience at Capgemini

Innovation Strategy: Business leaders face two challenges in reshaping their organizations: 1) accelerate top line revenue growth through service and technology innovation, and 2) industrialize their activities to meet new performance and quality requirements — while also funding the transformation. Capgemini helps organizations by applying our own innovation techniques and environments, supported by client-site innovation capability, to assist with disruptive transformation. This could be through:

- Creating investment strategies to build a balanced portfolio of start-ups, programs, and digital projects
- Pioneering the transformation to new IT
- Delivering systems and services that are flexible, multi-platform and multi-device
- Optimizing the IT organization and design operational processes
- Defining new business and supplier partnerships.

Seamless Customer Engagement: Advancements in digital have led to a proliferation of customer channels and a wealth of data. In turn, this has created unparalleled opportunities for brands to meaningfully engage with customers and provide differentiated experiences to encourage loyalty, and consequently build customer lifetime value. Through the combined expertise of Capgemini Consulting, Application Services, Fahrenheit 212, and Itelios, we deliver an end-to-end solution that drives engagement, boosts revenue, and earns human loyalty. Our solution helps retailers define the customer strategy, the propositions, and the business and IT capabilities for delivering engaging customer experiences. This is to allow our clients to develop customer relationships around the fundamentals of human loyalty and shift from thinking about loyalty as a program that is peripheral to the business, to a set of propositions and capabilities that deliver loyalty as an outcome at the heart of their organization. It covers a broad set

of interconnected pillars, all insight driven through analytics and artificial intelligence:

- **Customer Engagement and Loyalty:** Engage with consumers in a personal and contextual relevant manner, gain their trust, and differentiate from competition
- **Smart Digital Store:** Reinvent and repurpose stores as physical and digital anchor points to offer personalized omni-channel experiences and services to digital-savvy consumers
- **Seamless Commerce:** Organize seamlessly around the dynamic paths-to-purchase of consumers, across all digital and physical channels and touch points.

All-Channel Experience: When it comes to your customers, experience counts. Today, it is not enough to be present on every possible customer contact point, you also have to deliver a consistent customer experience. Our solution helps our clients rethink their strategy and engage customers at every stage of their shopping journey with consistent, integrated customer experience across all channels.

Origamo: Our *Origamo* framework is a detailed methodology which provides a means to engaging clients. It sets out a framework to create/evolve strategic customer propositions which build human loyalty and is used to explore how digital innovations can enhance/accelerate the implementation of the vision. It focuses on how the next best action during a customer interaction is the one that maximizes lifetime value and builds customer trust. *Origamo Dimensions* are the key interactions points in any customer journey where human loyalty can be built or lost. Through *Origamo Dimensions* we develop “customer understanding” and apply this to creating experiences which demonstrate driver of human loyalty.

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The authors would like to thank Shannon Warner from Capgemini Consulting US; Gagandeep Gadri from Capgemini Consulting UK; Hakan Erander Capgemini Consulting Sweden; Max Brüggemann from Capgemini Consulting Germany; Genevieve Erb, Tony Fross, Carin Van Vuuren from Capgemini North America; Lorna Neville, Silvia Rindone from Capgemini UK; Marc Rieta from Capgemini Germany; Vivekanand Sangle from Capgemini India, and Pete Maulik, Roxanne Mosavar Rahmani, Melissa Tischler, Rony Zibara from Fahrenheit 212 for their contribution to this research.

The Digital Transformation Institute



The Digital Transformation Institute is Capgemini's in-house think-tank on all things digital. The Institute publishes research on the impact of digital technologies on large traditional businesses. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. The Institute has dedicated research centers in the United Kingdom and India.

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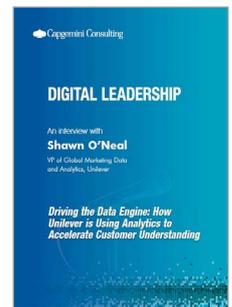
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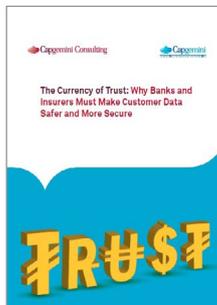
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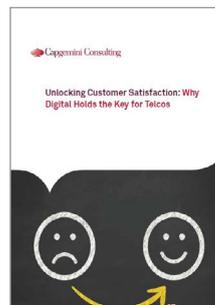
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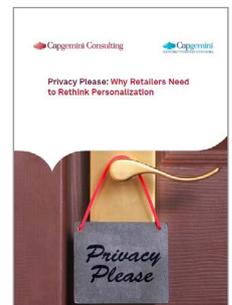
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