IPSOS BRAND & CX SUCCESS: THE 3 E'S OF EXCELLENCE

GAME CHANGERS

IPSOS BRAND & CX SUCCESS: THE 3 E'S OF EXCELLENCE

Delivering Experiences that fulfill the Brand Promise is in the job description of every Chief Marketing, Chief Experience and Chief Customer Officer. Their primary objectives are:

- Defining the importance of a Customer Experience that successfully meets the Brand Promise.
- Uncovering how well investments in CX are fulfilling the Brand Promise, from engagement marketing through each interaction with digital and physical channels (including employees).

There are a host of reasons why delivering on the brand promise is imperative. At its core, this is about achieving return-on-investment in brand marketing. The "Brand Expression," or voice of the brand, is heavily invested in across advertising, communications and promotions. Those budgets are aimed at establishing desire and intrigue, which translates to a set of Expectations around what it will be like to engage with the brand, its products and services. When a consumer makes the decision to engage or purchase, they do so expecting an Experience that will match the brand's Expression. If that Expectation isn't met in the Experience, cognitive dissonance occurs: there is a mismatch between Expectations perceived and the reality Experienced.

The perception of contradictory information, or cognitive dissonance, takes a mental toll on customers. They question what was misinformation versus what was misinterpretation. Even if the customer realizes they misinterpreted the brand's Expression and therefore had the wrong set of Expectations, they will still blame the brand to some degree. This state of conflict degrades the brand's investments in advertising, communications and promotions. Customers look to restore the balance between Expectations and the Experience reality in order to remove dissonance. This means resetting Expectations and then making a determination on the value of engaging with the brand under the new, tempered Expectation set.

Bottom line: a mismatch between the brand promise and the Experience creates a state of cognitive dissonance for customers.

Cognitive dissonance in action:

A beach resort promotes beautiful imagery of its property and guests. It runs a very rare “fifth night free for every four nights paid” promotion, but it has messaging on the website and booking confirmation email that the hotel has reduced its staff and adjusted its amenities due to COVID-19. Jacob, a married father of two, is planning a family vacation and interprets the brand Expression as a lovely property for a long weekend that may have limited cleaning services or a smaller room service menu. His Expectations are based on a combination of brand communications as well as other Experiences with hotels during the pandemic (also known as “context” in our Brand Success Approach). When Jacob arrives with his family, check-in takes a while, which doesn’t temper his Expectations right away. However, Jacob soon learns that two of the three pools are closed due to lack of maintenance staff, only one of the hotel’s dining options is open but not accepting reservations, and there is no cleaning service. Jacob sits at the overcrowded single pool furious with the realization that the one-night-free promotion was the compensation for an Experience that far missed Expectations, and he can’t understand why the hotel wasn’t more transparent from the start. Jacob has now lowered his Expectations for this hotel group, which means his Experience now outweighs the brand’s Expression. As such, the marketing ROI for the brand is lowered for Jacob and customers like him. Jacob is unlikely to choose this hotel chain for future stays, and his negative word of mouth will be likely to erode.

When Experiences consistently fail to meet Expectations, customers will adjust their attitude towards the brand (love them less) and/or adjust behavior towards the brand (stop using or use them less). Conversely, when the Experience consistently reinforces the Brand Promise, customers grow closer to the brand and use it more in the future, creating an increasingly positive Return on Investment (ROI) for the marketing spend.

Ultimately, the effective balance of **Expressions, Expectations** (including context outside of the brand or even industry), and **Experiences** are what determines ROI. When properly orchestrated, it yields more effective Return on Advertising Spend (RoAS), higher conversion, more repeat/frequency, greater retention, more advocacy, and increased share of wallet.

AN INTEGRATED BRAND – CUSTOMER EXPERIENCE FRAMEWORK

Ipsos provides an integrated perspective on brand and experience measurement to define the importance of a Customer Experience that successfully meets the Brand Promise, and uncover how well investments in CX are fulfilling the Brand Promise.

This perspective is based on the three connected concepts demonstrated in our hotel example, or the **Three E's of Excellence:**

01. Expression

The voice of the brand (advertising, communication, promotional messaging, etc.)

02. Expectations

What customers believe they will receive based on experiential, sensorial, societal and buying Expectations, whether from the brand's Expression, past Experience with the brand, or Expressions/Experiences with other brands

03. Experience

What customers encounter when they interact with the brand and its people across channels and over time

Figure 1.1

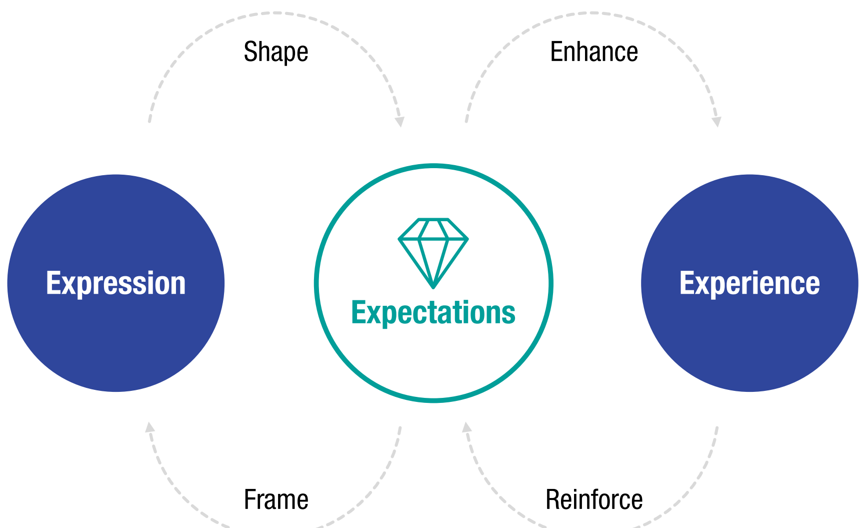


Figure 1.1 explains this relationship. The Expression of the brand promise occurs through advertising/marketing communications that build Expectations and culminate in an Experience that may or may not meet those Expectations. Foundationally, Expectations are shaped and reinforced by brand Expressions (information) and direct Experience. When done well, Expectations can enhance the Experience through excitement and emotional connection. Insights on the Experience and how it reinforces (or negates) Expectations can also frame future brand Expression.

It is also true that pre-existing Expectations can impact how people interpret Expressions and how they subjectively perceive new Experiences. This "context" represents outside forces that brands must be aware of and actively address both through their brand Expressions and in their Experience design.

OUR FINDINGS IN THE RETAIL SECTOR

In order to demonstrate the relationship between Expressions, Expectations and Experience, we recently conducted a study among 2,000 past 6-month retail shoppers for some of the largest brands in the US in 4 different categories (pharmacy, big-box retailer, grocery and home improvement).[1] These findings provide evidence of the relationship across these dynamics in key consumer categories. As such, we hypothesize these findings hold true across sectors.

About the Study:

- **Expression** was measured by asking about how exposure to advertising, communications or promotions made shoppers *feel* toward a particular brand.
- The fulfillment of **Expectations** was measured by overtly inquiring if the shopping Experiences with the retailer over the past 6 months matched Expectations of what shoppers thought they might receive.[2]
- **Experience** was measured through CX KPIs such as overall satisfaction, likelihood to recommend and a handful of retail specific inquires to assess satisfaction ratings (e.g., product availability, employee interactions, etc.).
- The **"Three E's"** were tied back to Brand Promise in two ways: (1) If customers felt the brand provided what they were looking for in the brand, and (2) how close they feel to the brand as a result of their Experiences.

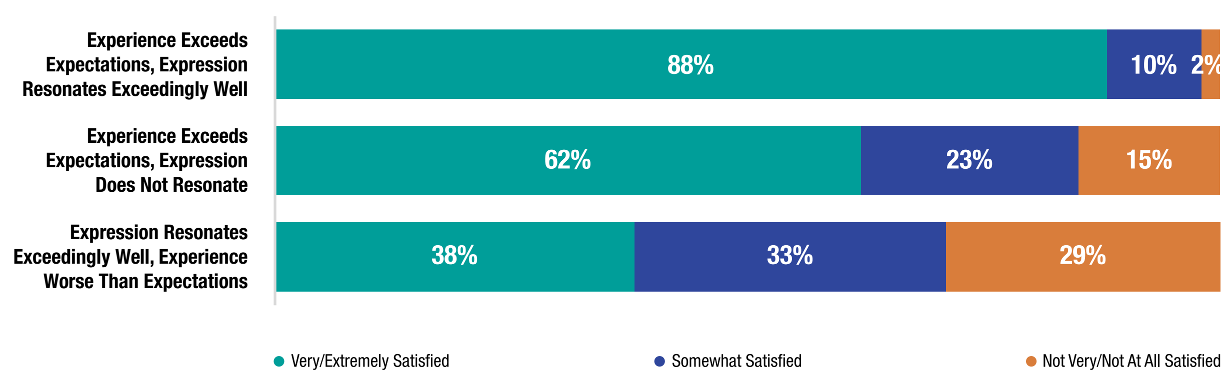
The Findings:

Overall, our hypothesis is proved: **Customer Experience and Brand Promise need to work together**.

As shown in Figure 1.2, when the Expression resonates well and the Experience exceeds Expectations, brands have the highest level of satisfaction with 88% very or extremely satisfied. When Expression has low resonance, but the Experience is great, Experience compensates for the weak brand position, maintaining 62% of customers as very or extremely satisfied. Conversely, when Expression resonates well, but Experience is poor, only 38% of customers were very/extremely satisfied.

Expression can compensate for a poor Experience, but not nearly as much as **a great Experience compensates for poor Expression**. The bottom line is that maximum impact occurs when the brand's Expression is strong, and the Experience exceeds Expectations set by the Expression.

Figure 1.2



[1] Walgreens, Rite Aid, CVS, Walmart, Target, Amazon, Sam's Club, Costco, Home Depot and Lowe's were the retailers comprising the brand evaluations.

[2] Expectations themselves were not defined or measured as part of this study. Measurement focused on the delivery on expectations

EXPERIENCES THAT MEET OR EXCEED EXPECTATIONS ARE CRUCIAL AND HAVE A SIGNIFICANT IMPACT ON KPIS. THE IMPACT IS GREATER AMONGST CUSTOMERS WHO INTERACT FREQUENTLY.

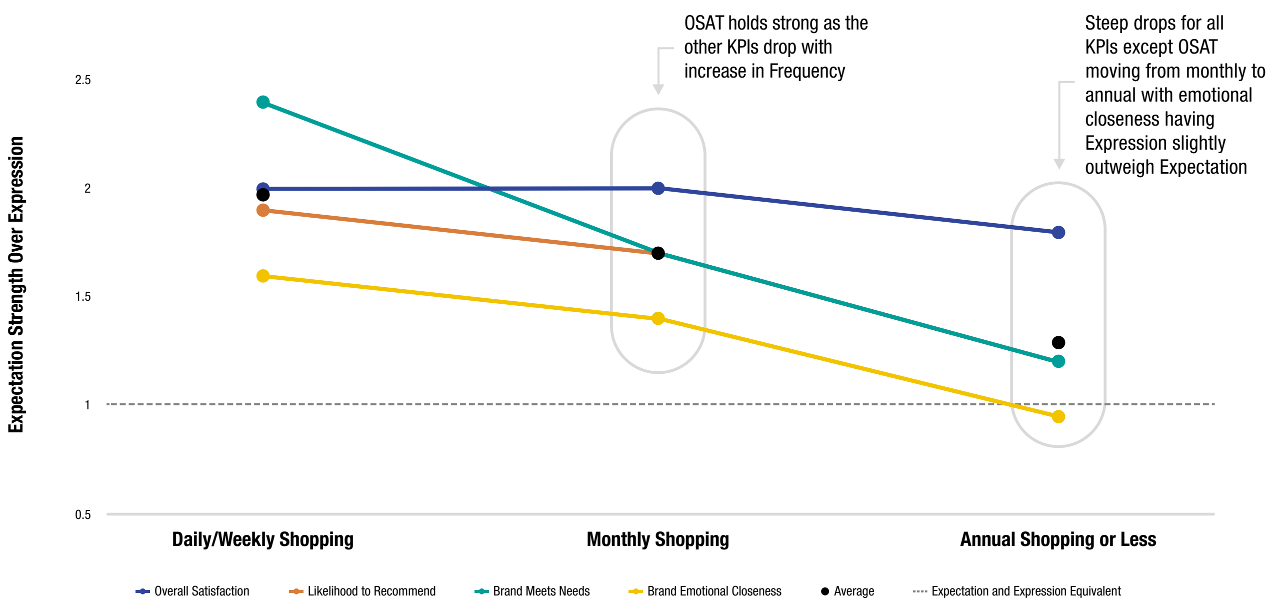
The research found that Expectation has the highest strength versus Expression when the shopping frequency is daily or more. Figure 1.3 shows on average Expectation has 2x as strong of a relationship than Expression across the brand perception and Experience KPIs. That is, Expectations (shaped by Experience and context) became more dominant than the brand's Expression. As the frequency moves to monthly shopping, the strength of Expectation versus Expression drops to an average of 1.7x as strong, and with annual or less frequent visits, the Expectation is only 1.3x as strong as Expression.

This means where the frequency of interaction is low, the impact of advertising starts to take more hold, which indicates that it can shape Expectations and impact the perception of the Experience. The only place the research showed Expression outpacing Experience was with brand emotional closeness and annual or less frequent shopping. This may mean that respondents associate the trip with a special occasion such as a birthday, holiday, or anniversary that has more emotional resonance and Expression. Therefore, advertising and marketing communications are key to setting Expectations for new or lower frequency customers.

However, as engagement increases, meeting Expectations through Experience becomes increasingly important no matter the brand perception or Experience KPI rating. This has major implications for high volume, high frequency products and services versus those that are low volume/low frequency.

Figure 1.3

Expectation vs. Expression Strength by Shopping Frequency



WHAT THIS MEANS IN ACTION

What brands promise in their communication will become wasted expenditure if the Experience doesn't reinforce the promise and align to customer Expectations. This virtuous cycle demonstrates how Customer Experiences influence the ROI of brand marketing budgets, and ultimately, brand health. To ensure the promise and Experience are working together:

- Audit whether the brand promise elements/brand positions are part of SOPs/training and are brought to life in the actions of your employees.
- Evaluate how consistent brand promise elements/brand positions are depicted across channels and to targeted customer segments.
- Confirm that all digital properties that express the brand message do so in a way that reinforces the promise and personalizes it where relevant (e.g., based on frequency of engagement).
- Establish both brand and Experience measurement systems to understand whether customers believe the brand elements you promise are "true" and how their Experiences affect that belief – *independent but linkable measurement systems ensure a clean read of both sides of the equation.*
- Demonstrate the impact of customer Experience KPIs on your brand perceptions to better explain trends in brand health equity.
- Ensure your brand and CX measurement components account for competition to provide greater context to your brand's performance and provide insights for determining strengths, weaknesses, opportunities, and threats.

If you are interested in discussing how your organization's Experiences and customer Expectations align with your brand promise and its Expression, please reach out to the Ipsos Customer Experience team (CustomerExperience@Ipsos.com).

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