

Do You Know How Your Customers Feel?

The Role of Emotion in Decision-Making, and Your Bottom Line.



Overview

Emotions are a core part of what makes us human. While there are cross-cultural variations on their expression and intensity of expression, we all have them. Yet we are often reticent to talk about them, and even less likely to admit to them playing any role in our decision-making process. We are rational beings, after all.

In the second half of the 20th century, significant advancements in the young fields of psychology and neuroscience greatly enhanced understandings of cognition and cognitive processes. Work by psychologists Amos Tversky and Daniel Kahneman, neuroscientist Antonio Damasio and behavioral economists Richard Thaler and Cass Sunstein, to name a few, clearly established that emotion plays a central role in decision-making.

Implications for Marketing, and Business

The new understandings of how people approach decision-making has substantial implications for many fields, not least marketers. Emotions are important.

It's no surprise that Marc Gobé's 2001 book "Emotional Branding" quickly became a seminal text. Gobé put forward a new business model that works to engage and inspire people, offering the '10 Commandments of Emotional Branding' to help brands move from traditional concepts of branding to emotional ones that help customers connect with them.

So, we know how important emotion is to decision-making, and how it's a critical part of effectively engaging and connecting with customers, old and new. But to what degree? How much of an impact does what consumers think and feel about a brand have on how they act?



Both “Think” and “Feel” variables are statistically significant drivers of business outcomes (at a 99% confidence interval level).

Newly released research by Forrester Consulting, commissioned by FocusVision, found that how a customer *thinks* and *feels* about the brand are both statistically significant drivers of how they *act* (purchase, loyalty, and advocacy). Further, how a customer *feels* about the brand, their emotional connection with the brand, has a 1.5x greater impact on driving positive business outcomes than what they think. In short, emotions drive business results.

This isn't just nice to know information; brands can use it to *predict* business outcomes. By understanding how customers think and feel about their brand, and making improvements to these perceptions, companies can predict business outcomes. Brand qualities like trust, helpfulness, and value play the strongest role in driving action. **The return is apparent. By making a 1-point improvement on a 5-point scale, brands can increase the likelihood of...**



continuing a subscription by as much as

+10.2%



purchasing in the next 3 months by as much as

+11.2%



maintaining loyalty by as much as

+14.8%



advocating on behalf of brand by as much as

+15.4%

Using the Right Data

In the decades since the new thinking on emotions' role in decision-making emerged, there's widespread acceptance around its importance. This is apparent in the same Forrester study, commissioned by FocusVision, where 93% of companies agree that consumers are more likely to spend money with a brand that they feel connected to. Additionally, 88% agree that better understandings of how their customers think and feel will help them win new customers.

However, despite the recognition about the role of emotion, and the need to understand their customers in order to engage them in ways that will resonate, only 38% strongly agree they know why one customer chooses to buy from their brand while another doesn't. There's clearly a disconnect.

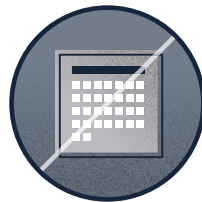
And one that is explained when looking at the data that companies are using to understand their customers: more than half (56%) report relying more or fully on Big Data (versus Small Data) to answer questions about how their customers think and feel. Big Data - clickstream, transactional, POS, CRM, location, and so on - is an important way to understand *what* your customers are doing. However, it can't tell you *why* they are doing it. It can't convey how they think and feel.

This is demonstrated in the Forrester study, which found that Big Data such as the frequency with which consumers interact with the brand, the length of time the consumer has subscribed to the brand, and the frequency with which consumers purchase from the brand are not statistically relevant indicators how they'll act - the intent to continue subscribing, loyalty, or advocacy.

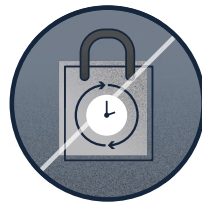
The study found Big Data such as:



Consumer Brand
**interaction
frequency**



Consumer Brand
time subscribed



Consumer Brand
**purchase
frequency**

are **NOT** statistically
relevant indicators
of the intent to continue
subscribing, loyalty,
or advocacy

Understanding Your Customer Truth™

Not knowing why your customer acts the way they do leaves opportunity on the table. The need to get close to them through Small Data, such as surveys, online research communities, and interview, is clear. Understanding their likes, dislikes, routines, habits, beliefs, values and all the other contextual information around how, where and why they are using your product or service, provides essential information to drive your brand forward. The Forrester study shows that Small Data isn't just nice to have, it's essential when it comes to winning over your customers' hearts and minds and delivering experiences that don't just keep them coming back, but also make them advocates for your brand.

In sum, understanding Customer Truth™ helps you create positive experiences across all brand touchpoints and can be used to predict business outcomes.

Visit our resource library to download a copy of the Forrester study, commissioned by FocusVision.

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