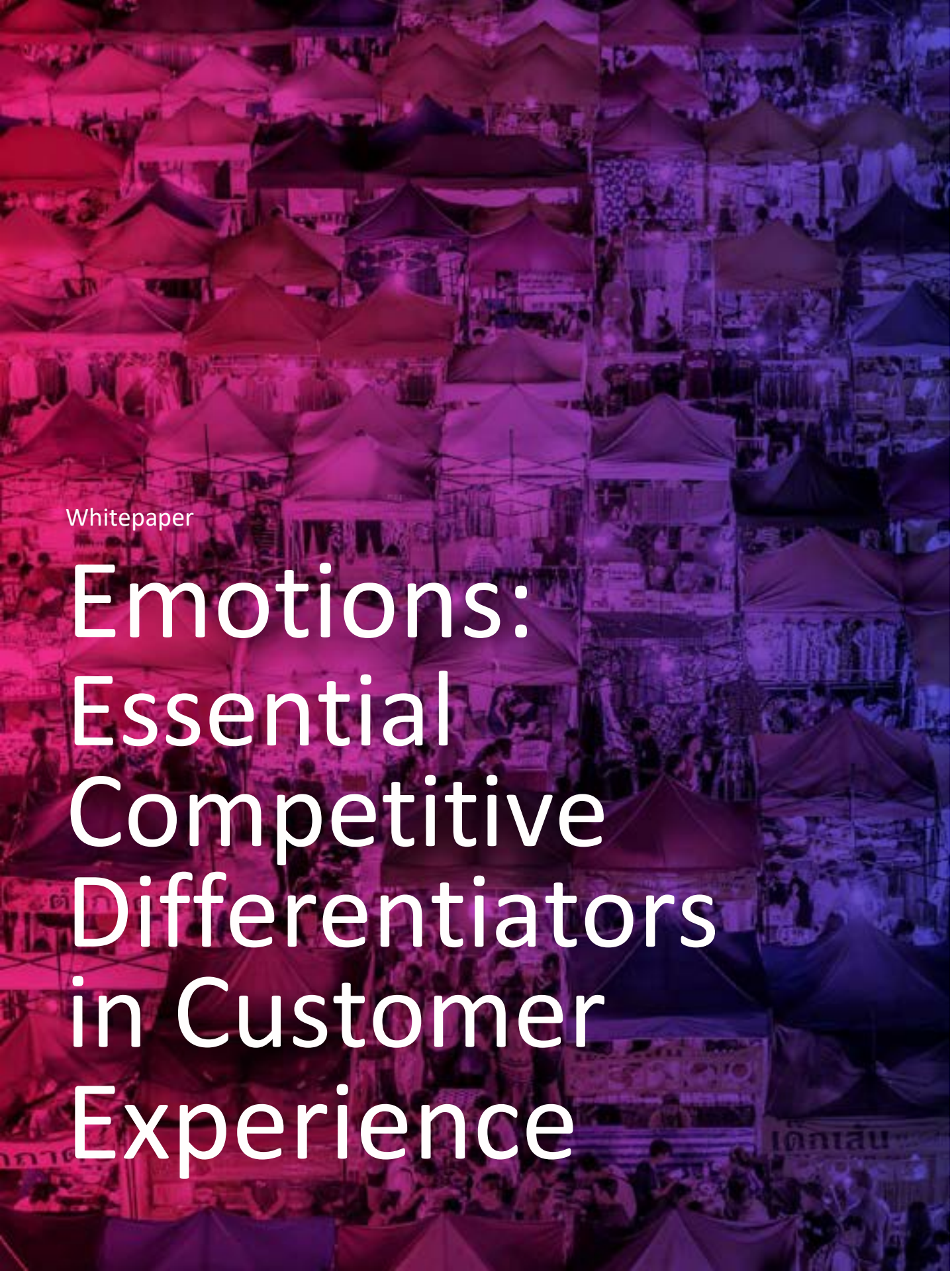




Whitepaper

# Emotions: Essential Competitive Differentiators in Customer Experience

## Summary

Emotions affect everyone—including all customers. Influencing their decisions, opinions and loyalty during every journey with a brand, they are a fundamental element of the customer experience (CX), and, as research is finding, also hold the key to tremendous business benefits, whether it's increased loyalty or lowered churn.

Unsurprisingly, 2016 was a breakout year for the study of emotions in customer experience, with Temkin Group even labelling it as “The Year of Emotion” in its annual listing of customer experience trends. Looking forward, if predictions are correct, the area will only continue to grow from here on out.

**“While** all three components of customer experience—success, effort and emotion—have a strong effect on loyalty, our research shows that emotion is the most important element. When we compared the consumers who gave companies a very good customer experience rating to those who gave companies a very bad customer experience rating, we found that at companies with high customer experience ratings, the percentage of customers who plan on purchasing more is 18 points higher, the percentage who will forgive the company if it makes a mistake is 12 points higher, the percentage who will try a new offering is 10 points higher, and the percentage who trust the company is 19 points higher. Additionally, companies with very good CX ratings have an average Net Promoter® Score that is 24 points higher than the scores of companies with poor CX.” - **Temkin Group Report, ROI of Customer Experience, 2015.**

Emotions continue to be a core competitive differentiator for customer experience in all industries because they directly impact consumers' loyalty to a brand. Considering that “Loyal customers are less likely to switch to a competitor due to a given price inducement, and these customers make more purchases as compared to less loyal customers,”<sup>1</sup> the value of investing in technology and program designs that harness the benefits and ROI of emotions is not only exponential, but also essential in today's fast-moving, customer-empowered environment.

## The Power of Emotions in Customer Experience

The neuroscience and psychology behind decision-making play a large role in the study of emotions and CX.

Many individuals believe their decisions are based upon logic, but the reality is that decisions are most often governed by feelings. Psychology Today reports that “When an emotion is triggered in your brain, your nervous systems responds by creating feelings in your body (what many people refer to as a ‘gut feeling’) and certain thoughts in your mind. A great deal of decisions are informed by emotional responses because that is what emotions are designed to do: to appraise and summarize an experience and inform actions.”<sup>3</sup>

At their core, emotions dictate how we make decisions before the rational part of our brain gets a chance to influence anything.

Emotions are so integral to decision making that, without them, people are less likely to make a decision, according to a recent study by Antonio Damasio, Professor of Neuroscience at the University of Southern California. In his book “Descartes’ Error,” Damasio observed subjects whose ‘thinking’ and ‘emotional’ portions of the brain had been damaged. He found that while subjects rationally process information on alternative choices, they couldn’t make concrete decisions because their emotional ‘feelings’ towards options were impaired.<sup>4</sup>

In short, emotions play a large role in the customer journey because they affect every decision made with a brand, whether it is the decision to renew a contract or the decision to make a negative post on social media. Companies who can influence customer ‘gut feelings’ towards the positive end of the emotional spectrum have the power to also direct customer decisions for the better, resulting in happier experiences and, ideally, monetary gains, whether through repeat purchases, recommendations or long-term loyalty.

## Positive Emotions Increase Brand Loyalty, Negative Emotions Create Disaster

According to Psychology Today, “Studies show that positive emotions toward a brand have far greater influence on consumer loyalty than trust and other judgments which are based on a brand’s attributes.”<sup>5</sup>

In other words, by tapping into the emotional experiences of customers, and acting on this information by making better emotional connections with customers, innovative brands are keeping individuals loyal even in a highly competitive landscape.

A great real-world example of this is Delta Airlines and its intelligent phone system. When a customer responds to an SMS alerting them to a flight cancellation, the system automatically routes their call to an appropriate handler, rather than having the customer battle through endless IVR menu

options. This immediately addresses any negative emotions and alleviates tension that might have otherwise snowballed with long wait times and call transfers.

On the opposite end of the emotional spectrum, companies who fail to emotionally connect with their customers, or who create more negative experiences than positive ones, experience, unsurprisingly, more negative outcomes, such as low NPS, higher costs and decreased loyalty. Case in point, in a recent Temkin study on how emotions affect call centre interactions, findings revealed that:

- Anger leads to the lowest NPS. When customers experience anger, they give the lowest NPS (19% below company average). Angry customer calls are also 40% longer than average and are more than twice as likely to be transferred.
- Sadness leads to low NPS. Customers who experience sadness give companies an NPS that is only slightly higher than the one they give when they are angry (18% below company average).<sup>6</sup>
- Just as in real life, finding \$50 may make you happy for an hour, losing the same \$50 note will more than likely ruin your entire day.

## Hesitations in the Field of Emotional Measurement

Despite the glaring evidence, many companies are hesitant to invest in technology and practices that harness the benefits of emotions in CX. The reasons for this are varied, but include:

- A general distrust of the metrics because the area of study is nascent, subjective and more abstract than other fields, such as NPS.
- Measuring emotions is a complex process that requires CX pros to interpret reported feelings while also accounting for variables such as memory perception, context, physiological indicators, environment and the short time frame in which the emotions are experienced.
- Tools for emotional measurement aren't well known to CX professionals. Though there are many available, they haven't been around long enough to become commonplace. Current use cases also focus more on the marketing and design of emotions in CX, while the measurement of emotions themselves is still undergoing rapid development.

Nevertheless, these issues are common to all growing areas of study in CX, and, if history can teach brands anything, it's that being at the forefront of CX trends, technology and practices leads to great gains, separating the leaders from laggards.



## How Companies Are Unlocking the Benefits of Emotions in CX Using Neuroscience

Today's brands are leveraging theories in neuroscience, using them to break down and simplify emotions into basic lists. Some of the more prominent core emotions include:



### Positive Emotions

- Joy/Happiness
- Trust
- Gratitude
- Surprise



### Negative Emotions

- Sadness
- Frustration
- Anger
- Disappointment

While the lists vary from company to company, and methodology to methodology, the common denominator between all of them is the identification of the simplest, most prevalent feelings that customers experience during their journeys with a brand. By identifying these feelings and finding out when and why they arise in the customer journey, companies can uncover predictors of future purchases and loyalty, among other essential information.

## Eliminating Pain Points

Innovative brands are focusing on getting rid of pain points in the customer journey. This requires creating detailed journey maps that document the intensity, sentiment and length of emotions felt at specific times in the journey, in addition to combined feelings that arise in particular scenarios. For example, a customer might feel both joy and frustration when purchasing a new phone.

When focusing on specific points in the customer journey, many professionals are also making efforts to improve the emotional peaks and the end of every customer journey. This is based on psychological science that finds people never recall every detail of any given experience.

Delta Airlines is ahead of the game here again, introducing a frequent flyer program named 'Middle Seat Mondays' that automatically sends out a 500-point SkyMiles credit to valued customers if they have to sit in a middle seat on certain flights. By ensuring they email customers on landing, they ensure that the lasting memory of the experience is a positive one, rather than focusing on any middle-seat discomfort the customer may have been feeling.

## Focusing on Unstructured Data and Sentiment Analysis

Customers don't express their feelings logically or in patterns. That is why understanding unstructured feedback is essential. Despite increasing data evidence and ever-improving technology,

many CX pros still don't quantify unstructured feedback. Those that do, gain a valuable understanding of what their customers actually want, and how they actually feel about the brand and its service. In particular, technology such as speech analytics, text analytics, and sentiment analysis helps reveal and define parts of the emotional experience that people don't necessarily express clearly or succinctly. Whether it's through mining keywords via text, online, survey and phone, or by analysing the volume and pitch of a customer's tone, these technologies represent the future of success for top-performing companies.

### Some examples of these tools in action include:

- Speech analytics using language processing platforms to find emotional data in voice recordings. With this technology, brands can mine keywords and identify emotions based on the volume, speed, pitch and patterns of the speaker. Additionally, some "speech-based IVRs can pre-empt CX disaster by routing calls directly to a live agent when they sense mounting frustration in a customer's voice."<sup>5</sup>
- Text analytics detecting emotional clues in unstructured data so problem areas can be identified. The analytics can, for example, mine data on how customers feel about their contract renewal process, and find issues such as confusing contract stipulations, or a lack of employee knowledge (both categorised as negative emotional sentiment), allowing for management teams to create new coaching methods to ensure more consistent services. This technology can also reduce dependence on surveys and help establish emotional themes that might not be apparent with structured data.
- Automated sentiment analysis identifying words that reveal glaring problems in the experience, such as 'website down,' 'too long' or 'not renew.'

### Emotionally Connecting with Customers Using Real-Time Feedback

Real-time feedback allows brands to capture the voice of customers at times that are emotionally important to them. Rather than getting information about an issue after it has occurred, transactional survey technology gives companies the 'real' story, as it is happening. It also opens opportunities for emotionally relevant communication. For example, if a customer just had a surprisingly great experience while making a purchase, and then receives a text asking about their experience just minutes after it has completed, they are likely to give an emotionally charged response that offers more insight into the interaction than a survey sent hours later would.

A combination of phone and text technology can create more personalised experiences too. Delta Airlines employs their intelligent IVR system to ensure that if a caller ID matches that of a customer that has recently received a flight cancellation SMS, the customer will be presented with a

single contextually aware question, such as “Are you calling us about the text message we recently sent you?”

## Addressing Emotional Triggers

Top-performing brands are also using current CX technologies to act on emotional knowledge. With alerting, for instance, they can identify emotional triggers to help organisations know when immediate action needs to be taken in critical scenarios. For example, an alert can be sent to a frontline agent every time a customer is at a step of the mortgage buying process that usually incites anxiety or frustration. This ensures the customer immediately receives a call from the agent who, then, can answer questions and guide the customer through the process, thereby eliminating any negative feelings.

## Closing the Loop

A fundamental aspect of good service is showing customers that their emotions have been heard and addressed. By closing the loop, whether through call-back programs or follow-up surveys, brands can prove that they both acknowledge and understand what customers are feeling and that they are prepared to act on this information to make meaningful changes for the better.

For instance, if a customer has trouble finding the information they need on a website and feels frustrated or angry, and then fills out an online survey expressing their dissatisfaction, a closed-loop system will make sure that an employee is alerted right away. He or she can follow-up immediately with the customer to acknowledge their feelings. But, more importantly, they can act and fix the issue by giving the customer the information they need. By doing this, they also help the experience end on a positive emotional note. This customer information might also get routed to management so they can address larger issues in the design of the website, potentially leading to wide-scale changes that, over the long haul, show customers their opinions and feelings can make a difference.

## Designs That Enhance Emotional Connections

Firms that are on the cutting edge of CX design know that even the smallest tweak to the design process can have a huge impact on how customers feel. Apple is well-known for making seemingly small process changes that have a large impact on customer satisfaction levels. For example, Apple store employees don't open product boxes for customers, as they don't want to deprive them of the anticipation that comes before the big reveal.

In a new age where customers need to feel cared for and validated by their favourite brands, it's important to approach design with a focus on the emotions that occur during every second of the journey process, not just the critical moments such as purchasing or renewals. From creating a voice

that relates to the appropriate age group to developing customised plans that focus on the interests of a core demographic, designs that create emotional connections are poised to separate top-performing companies from the rest. For example, “After a major bank introduced a credit card for Millennials that was designed to inspire emotional connection, usage among the segment increased by 70% and new account growth rose by 40%.”<sup>18</sup>

## Hiring Emotionally Intelligent Employees

Having the most advanced emotion technology on the market won’t create stellar results if employees aren’t emotionally intelligent too. As daily ambassadors for their brands, employees truly are the voice of every company, and if they can’t detect or understand how to rectify an emotionally charged situation, then customer loyalty will wane and brand reputation will disappear.

Forrester, in their report, “Understanding the Impact of Emotion on Customer Experience,” states that, “Companies that consistently deliver great CX aim to hire emotionally intelligent employees, but they don’t stop there. FedEx created a 50-page guide that teaches employees how to detect emotional states from a customer’s voice and offers tips like resisting the urge to interrupt because it makes customers feel inadequate, uninformed and powerless.”<sup>19</sup>

Bearing this in mind, it’s no wonder that “Emotional intelligence will top the list of sought-after employee skills. American Express, the Cleveland Clinic, and Southwest Airlines go to great lengths to find candidates with a naturally high EQ. Enterprise Rent-A-Car, the highest-scoring car rental company in [Forrester’s] CX Index, promotes people into management only if they’ve demonstrated real-world people skills on the frontlines of a rental car centre.”<sup>20</sup>

## Conclusion

For better or worse, the human condition is riddled with feelings. From happiness to anger, the gamut of emotions we experience daily is inescapable and universal to every single person, including all customers. Companies need to find innovative ways to address the role of emotions in CX, not only because of the field’s exponential benefits, but more importantly, because emotions will never cease to be part of the human and customer experience. They drive every decision made by the customer and can cement or crumble an individual’s loyalty to a brand.



## Key areas of focus in today's market include:

- Understanding the role of neuroscience in program design and culture
- Eliminating pain points
- Focusing on unstructured data and sentiment analysis
- Emotionally connecting with customers using real-time feedback
- Using alerting to address emotional triggers
- Closing the loop to validate and act on customer feelings
- Designing programs that enhance emotional connections
- Hiring emotionally intelligent employees and creating a culture of caring and empathy

By investing in this new area of focus, brands can truly give customers, in all their different forms, what they need. Since emotions drive these needs, addressing them must be a top priority, starting with the acknowledgment of their power, benefits and undeniable influence on customer behaviour.

1. Wong, A. and Sohal, A. (2003). Service Quality and customer loyalty perspectives on two levels of retail relationships, *Journal of Services Marketing*, 17 (5): 495-513.
2. Wong, A. and Sohal, A. (2003). Service Quality and customer loyalty perspectives on two levels of retail relationships, *Journal of Services Marketing*, 17 (5): 495-513.
3. Lamia, Mary. C. "Like It or Not, Emotions Will Drive the Decisions You Make Today." *Psychology Today*, Dec 2010 4.
4. Damasio, Antonio R. *Descartes' Error: Emotion, Reason, and the Human Brain*, G.P. Putnam's Sons, New York, 1994.
5. Murray, Peter Noel. "How Emotions Influence What We Buy." *Psychology Today*, Feb 26, 2013.
6. Temkin Group and Mattersight Personality Labs, "Customer Emotions (Joy, Anger, Sadness, and Fear) Affect Contact Centre Interactions", *Experience Matters*, Sept 29, 2016.
7. Yaffe, Philip. "The 7% rule: fact, fiction, or misunderstanding", *Ubiquity*, October 2011.
8. Forrester Research Inc., Maxie Schmidt-Subramanian, "How to Measure Emotion in Customer Experience: Upgrade CX Measurement Programs to Capture Customers' Emotions," Nov13, 2015.
9. Forrester Research Inc., Burns, Megan, "Understanding the Impact of Emotion on Customer Experience: Emotionally Savvy Brands Combine CX Discipline with Empathy to Make Customers Smile," July 13, 2015.
10. Forrester Research Inc., Burns, Megan, "Understanding the Impact of Emotion on Customer Experience: Emotionally Savvy Brands Combine CX Discipline with Empathy to Make Customers Smile," July 13, 2015.
11. Forrester Research Inc., Burns, Megan, "Understanding the Impact of Emotion on Customer Experience: Emotionally Savvy Brands Combine CX Discipline with Empathy to Make Customers Smile," July 13, 2015.
12. Forrester Research Inc., Burns, Megan, "Understanding the Impact of Emotion on Customer Experience: Emotionally Savvy Brands Combine CX Discipline with Empathy to Make Customers Smile," July 13, 2015.
13. Forrester Research Inc., Burns, Megan, "Understanding the Impact of Emotion on Customer Experience: Emotionally Savvy Brands Combine CX Discipline with Empathy to Make Customers Smile," July 13, 2015.
14. Forrester Research Inc., Maxie Schmidt-Subramanian, "How to Measure Emotion in Customer Experience: Upgrade CX Measurement Programs to Capture Customers' Emotions," Nov 13, 2015.
15. Forrester Research Inc., Burns, Megan, "Understanding the Impact of Emotion on Customer Experience: Emotionally Savvy Brands Combine CX Discipline with Empathy to Make Customers Smile," July 13, 2015.

---

## ResponseTek Whitepaper - Emotions: Essential Competitive Differentiators in Customer Experience

16. Forrester Research Inc., Burns, Megan, "Understanding the Impact of Emotion on Customer Experience: Emotionally Savvy Brands Combine CX Discipline with Empathy to Make Customers Smile," July 13, 2015.
17. Forrester Research Inc., Burns, Megan, "Understanding the Impact of Emotion on Customer Experience: Emotionally Savvy Brands Combine CX Discipline with Empathy to Make Customers Smile," July 13, 2015.
18. Magids, Zorfas, and Leemon, "The New Science of Customer Emotions," Harvard Business Review, Nov, 2015.
19. Forrester Research Inc., Burns, Megan, "Understanding the Impact of Emotion on Customer Experience: Emotionally Savvy Brands Combine CX Discipline with Empathy to Make Customers Smile," July 13, 2015.
20. Forrester Research Inc., Burns, Megan, "Understanding the Impact of Emotion on Customer Experience: Emotionally Savvy Brands Combine CX Discipline with Empathy to Make Customers Smile," July 13, 2015.

