

A young couple with long, curly hair is walking through a modern retail store. The woman is holding a red shopping bag and a white shopping bag, and the man is holding a black shopping bag. They are both smiling and looking at each other. The background shows shelves with various items and a bright, open space.

MOTISTATM

Leveraging the Value of
Emotional Connection for Retailers



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1. INTRODUCTION

In the Search for Growth, Marketers Under-Leverage Emotional Connection

Hardly a day goes by without a business pundit predicting the demise of another retailer. Iconic brands have lost market share or shuttered their doors completely as they struggle to stay relevant to consumers.

The challenge of achieving profitable growth can feel like an uphill battle for retailers seeking to build deep loyalty and brand advocacy with their customers. Increasing customer satisfaction is the focal point of their efforts, and in its pursuit, retailers invest heavily in seamless cross-channel experiences, unique product selection, as well as personalized communications and service.

Although retailers have generally seen modest increases in revenue and lifetime value, satisfaction-driven investments have not translated into sustained growth. In fact, as retailers race to implement omni-channel capabilities, such advancements quickly become table stakes—not propellers of growth—as evidenced by the disappointing growth trends mentioned above.

All of these initiatives and investments ignore the most important aspect of customer value, which is to say, how a person instinctively connects to a retail brand, or what we call “emotional connection.”



A simple comparison of the five-year performance of US retail stocks (in blue) against the S&P 500 is proof of just how much U.S. retailers struggle to grow.

A Powerful Driver of Behavior

An emotional connection occurs when people connect their values, desires, or aspirations to a brand. These connections often live in the unconscious and go unspoken.

Emotional connection goes beyond how people perceive a brand or the functional benefits of its products and services; it goes past the likes and dislikes they report in focus groups or customer feedback. When brands connect with people in more meaningful ways, they form more valuable relationships because the brand makes them feel better.

Why is this relevant? Emotional connection is a powerful driver of consumer behavior, as psychologists have long noted. Few marketers would disagree, though most never tie emotion directly to outcomes and financial performance. Instead, marketers may try to make advertising “more emotional,” or simply associate it to customer satisfaction. Both are inherently limiting, as we shall see in the next chapter.

While most marketers generally acknowledge the role of emotional connection affecting brand loyalty, some breakout brands have turned it into a growth strategy. These retailers are successfully leveraging emotional connection and their efforts are delivering extraordinary results, as measured in spending, lifetime value, length of time spent with a brand, and brand advocacy. Such companies are defying the stagnation facing the retail sector and are on a path of accelerated growth.



Emotional connection is a powerful driver of consumer behavior.

Quantifying Emotional Connection

Can emotional connection deliver the sustained growth retailers need to secure their futures? To answer that question, Motista undertook a two year study of the impact of emotional connection on consumer behavior. We indexed the level of emotional connection to buying behavior of more than 100,000 U.S.-based consumers across more than 100 brands. We then compared the behavior—spend level, lifetime value, brand loyalty, and advocacy— of emotionally connected consumers to simply satisfied customers.

Overall, the data showed that emotionally connected customers are more valuable than those who are highly satisfied, or even those who perceive a brand to be differentiated.

These emotionally connected customers*:

- Spend up to 2x or more with their preferred retailers
- Have 306% higher lifetime value (LTV)
- Stay with a brand for an average of 5.1 years vs. 3.4 years
- Recommend brands at much higher rates: 30.2% vs. 7.6%

This study compares the annual spend, lifetime value, and tenure levels of customers who rate themselves as satisfied versus those who are emotionally connected to a brand or product category. Additionally, it discusses the implications of these findings in the way marketers approach marketing strategy.

** Source: Motista, Inc. Cross-industry data from Motista's proprietary retail data collected from consumers and companies, 2016-18.*

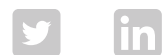
Emotionally connected customers spend 2x or more with their preferred retailers.



2. COMPARISON OF SATISFIED CUSTOMERS TO EMOTIONALLY CONNECTED CONSUMERS

Emotional Connection Accurately Predicts Consumer Value and Growth Potential

There are many KPIs marketers rely on to assess the value of a consumer or consumer segment: brand health, CSAT, and net promoter score among them. However, emotional connection is far more predictive of a consumer's motivating behavior, lifetime value, and growth potential to a retailer.



Spending

We examined the spending levels of satisfied customers versus emotionally connected customers across seven retail sectors. The data shows that emotionally connected customers are far more valuable for retailers across all categories. In some sectors—apparel and footwear—emotionally connected customers spend more than double what just satisfied customers spend in a year.

Annual Spend with a Brand	Satisfied Customers	Emotionally Connected Consumers	Emotional Connection Lift
Apparel	\$275	\$699	2.5x
Department Stores	\$285	\$555	2x
Discount Big Box Stores	\$760	\$1,192	1.6x
Footwear Retail	\$104	\$211	2x
Home Goods	\$362	\$733	2x
Luxury Goods	\$699	\$1,423	2x
Office Supplies	\$298	\$400	1.3x

Source: Motista, Inc. Cross-industry data from Motista’s proprietary retail data collected from consumers and companies, 2016–18.

Customer Lifetime Value

In addition to higher spending, emotional connection translates into greater share of wallet and longer tenures for retailers. As a result, emotional connection has an outsized impact on customer lifetime value when compared to the satisfied customer metric:

Spend and Tenure with 80 Retailer Brands (Across Sectors)	Satisfied Customers	Emotionally Connected Consumers	Emotional Connection Lift
Annual Spend	\$275	\$699	2.5x
Tenure	3.4 years	5.1 years	1.5x

The above table shows the difference in annual spend and tenure—key factors driving customer lifetime value—across all retail sectors. The emotional connection lift is the percent gain derived from an emotionally connected customer vs. satisfied customers.

Now that we see the role of emotional connection in driving consumer behavior, and ultimately value to a retailer, let’s look at how we’re able to measure that emotional connection across retailers.

What is Emotional Connection Score®

Motista has developed a proprietary Emotional Connection Score®, which is a predictive KPI measuring the percent of consumers who reach emotional connection with a brand. We applied this metric to leading retail brands across multiple retail sectors and then ranked them to measure the degree to which their customers connect their unspoken emotional aspirations, values, and motivations to the brand. The higher the percentage, the more the brand connects on an emotional level with its customers.

Some of the retailers on the leading edge of emotional connection activation are now measuring their customer relationships using the Emotional Connection Score®, which helps marketers assess the challenges and opportunities for their brands. For instance:

High Emotional Connection Score

Drive revenue and customer lifetime value by identifying the emotions driving cross-sell and spend with existing customers.

Identify the messaging and touch points across marketing and customer experience to attract emotionally connected customers and drive purchase.

Mid-Level Emotional Connection Score

Bring more precision into marketing and consumer-facing investments to build emotional connection, while simultaneously cultivating existing emotionally connected base.

Low Emotional Connection Score

Identify the emotions that motivate behavior with high-value consumers in a brand's category, then develop new strategies and activation plans that build emotional connection with existing and new customers.



HIGH



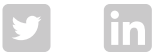
MEDIUM



LOW

U.S. Consumer Emotional Connection Scores[®]

These scores are collected in a standardized way across retail sectors with qualified U.S. consumers who have shopped the brand at least once over the past year. Rankings and performance for a specific brand would likely vary by consumer segment, or with a more qualified definition of the customer.



U.S. Consumer Emotional Connection Scores[®]

Brand	ECS	Sector
Gucci	44%	Luxury Goods
Burberry	42%	Luxury Goods
Neiman Marcus	37%	Luxury Goods
IKEA	33%	Home Goods
Chico's	32%	Apparel
Anthropologie	32%	Apparel
Forever 21	32%	Apparel
Polo Ralph Lauren	31%	Apparel
REI	30%	Outdoor Goods
The Gap	28%	Apparel
Wayfair	27%	E-Commerce
J.Crew	27%	Apparel
Etsy	27%	E-Commerce
Abercrombie and Fitch	27%	Apparel
Nordstrom	26%	Department Store
Victoria's Secret	26%	Apparel
Cabela's	25%	Outdoor Goods
Banana Republic	24%	Apparel
Zappos	23%	E-Commerce
Williams Sonoma	23%	Home Goods
Crate and Barrel	22%	Home Goods
Ann Taylor	22%	Apparel
Bath & Body Works	22%	Specialty

Brand	ECS	Sector
Ross	22%	Off Price
American Eagle Outfitters	21%	Apparel
Old Navy	21%	Apparel
Dollar General	21%	Dollar Store
QVC	21%	E-Commerce
Pottery Barn	21%	Home Goods
DSW	20%	Footwear
Bed Bath & Beyond	20%	Home Goods
CVS	19%	Pharmacy
Macy's	19%	Department Store
Dick's	18%	Sporting Goods
Hallmark	18%	Specialty
Lowe's	18%	Home Improvement
Amazon	18%	E-Commerce
Walgreen's	17%	Pharmacy
Walmart	17%	Discount Store
Best Buy	17%	Consumer Electronics
Target	17%	Discount Store
Staples	16%	Office Supplies
Kohl's	16%	Department Store
The Home Depot	15%	Home Improvement
PetSmart	14%	Pet Supplies
Overstock	10%	E-Commerce

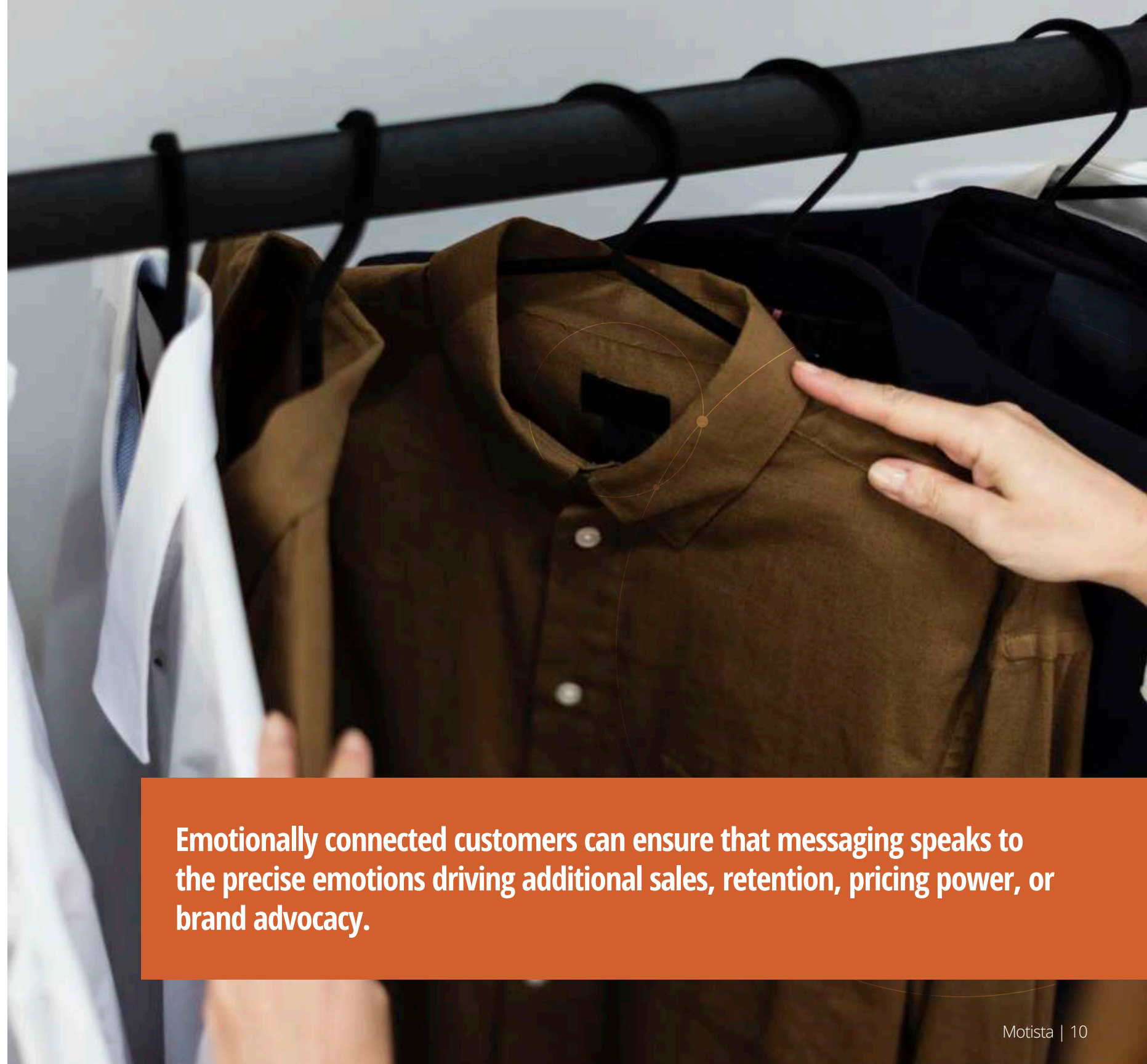
What Can This Ranking Tell Us?

The brands with the higher Emotional Connection Score® have an immediate opportunity to identify specifically who their emotionally connected customers are, and those who are predisposed to becoming emotionally connected, and extract more value from them. For instance, they can ensure that messaging speaks to the precise emotions driving additional sales, retention, pricing power, or brand advocacy.

As an example, Nordstrom, a brand often admired as the gold standard in customer service, has an average Emotional Connection Score® with its general consumer. Neiman Marcus, in contrast, has 37% of its customers reaching emotional connection. What does this mean? As Nordstrom's service advantage wanes and its competitive challenges intensify, it might want to get more focused on emotional connection to drive customer value.

Those with lower percentages of emotional connection will struggle to differentiate and grow and need to invest more in emotional connection activation to bond with high-value consumers. For instance, Home Depot and Overstock have low Emotional Connection Scores® (15% and 10% respectively), indicating they will struggle to grow long-term without activating emotional connection. Seasonal merchandise, omni-channel capabilities, convenient locations, or even low prices won't be enough to secure their future.

Brands with mid-level Emotional Connection Scores, such as Williams Sonoma (22%) and Crate and Barrel (21%) have the opportunity to drive significant value relatively quickly, both from their existing base of emotionally connected customers, and by leveraging specific messaging when interacting with prospects who are predisposed to being emotionally connected to the category. The key is to leverage the precise emotion for the desired behavior, such as brand referrals or seasonal buys.



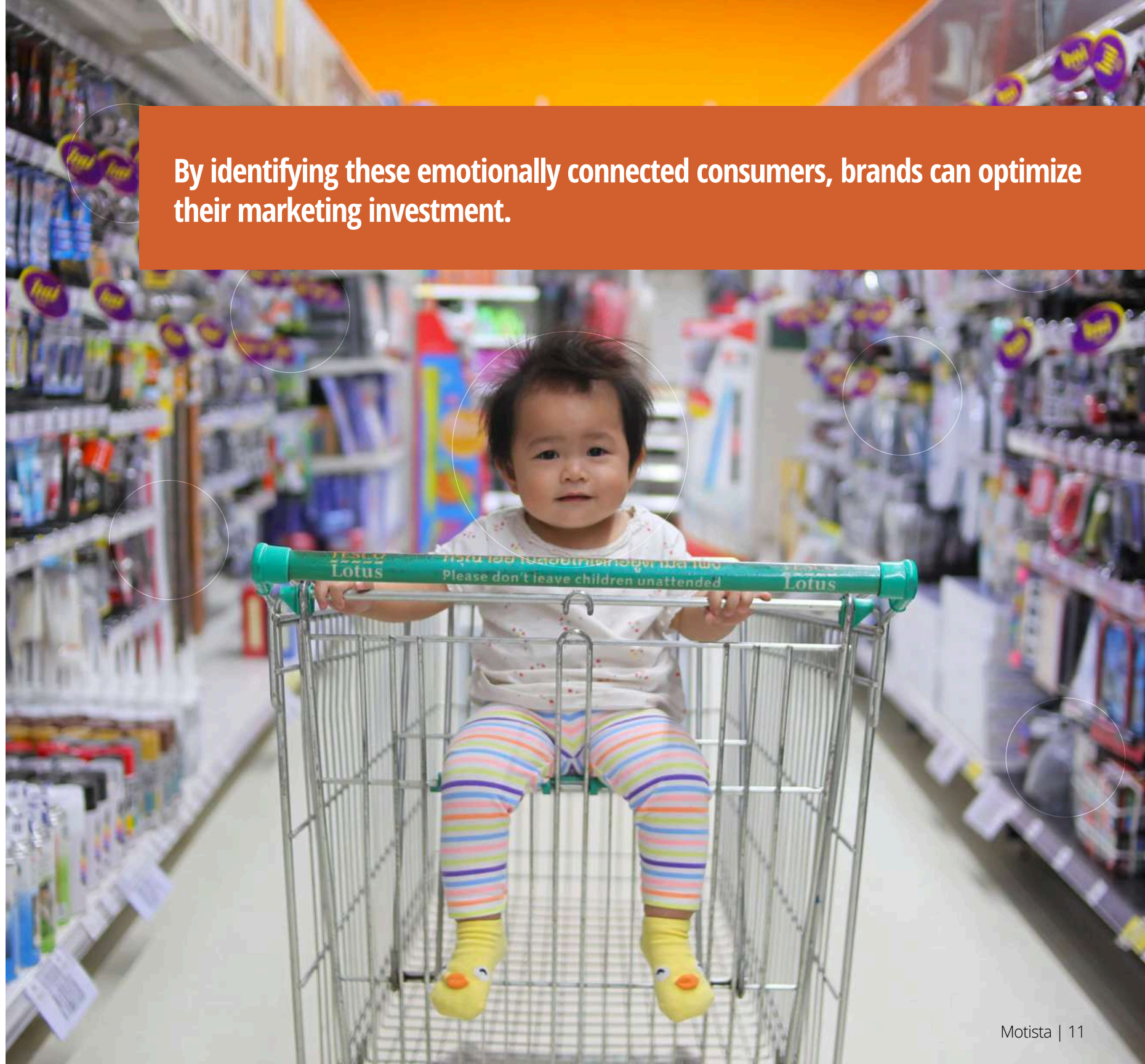
Emotionally connected customers can ensure that messaging speaks to the precise emotions driving additional sales, retention, pricing power, or brand advocacy.

Emotional Connection Drives the Marketing Funnel

The data shows brands who leverage emotional connection outperform their competition in their sectors in driving growth. Their success begins by activating emotional connection to drive their overall strategy, e.g. determine the customers with the greatest potential for growth, identify the ways to connect with them and motivate profitable behaviors, and leverage those emotions to gain net-new customers.

By deploying an emotional connection strategy, marketers can bypass traditional audience buys in order to focus media spending on the exact people more likely to be or become emotionally connected with their brand. By identifying these emotionally connected consumers, brands can optimize their marketing investment in digital marketing, addressable audiences, and customer value initiatives. They are able to ensure strategy and execution are fully aligned and focused on growth.

By identifying these emotionally connected consumers, brands can optimize their marketing investment.



Re-Thinking Strategy

For many marketers, strategy has not yielded the ROI their companies hope for. Often, strategies are set to “beat the competition,” but fail to form enduring connections with high value customers. Many retailers, faced with mounting pressure to perform in the short-term, lean more on promotion than emotion. And, for many retailers, reliance on building customer satisfaction has simply hit its peak and no longer generates financial value and growth. When a company's KPI is mainly customer satisfaction, the obvious action is to focus on improving results with dissatisfied customers, probably the lowest ROI of all options.

Other common approaches that fail to deliver breakthrough results are to focus on a key demographic (e.g. millennials), or profiles of historically valuable customers. The problem is that these strategies do little to move the needle in terms of new customers and additional revenues.

Why? To begin with, focusing on consumers because they share demographic attributes with past customers isn't strategy, it's blocking and tackling. Strategy is identifying the customers who have the highest propensity to engage and spend in a brand's category and focusing efforts on influencing their behavior. As we saw in the first chapter, consumers with the highest spend, lifetime value, and loyalty are those who feel an emotional connection to a brand or category. Therefore, a strategy designed to attract and build value based on emotional connection is inherently targeted on growth.



Focus on the Precise Emotions That Drive Profitable Behaviors

Too many marketers, while recognizing the role of emotion in driving consumer behavior, fail to appreciate the numerous emotional nuances that exist, and the role that precise emotions play in driving profitable behaviors. In other words, emotion “in general” doesn’t drive customer loyalty, prompt a customer to purchase another product, or forward information about a brand to a friend. It takes three distinct emotions.

Marketers who determine the precise and powerful emotions that drive profitable behaviors, and communicate to their customers accordingly, will most succeed in driving growth.



Emotional Connection Builds Stronger Brand Positioning

Much of today's brand positioning is highly functional, e.g. "we offer the best selection in our category," or "our customers are loyal due to our unparalleled customer service," or more frequently used, "we have the best price." Brand positioning is the marketer's explanation of what their brand represents, who their customers are, and what those customers care about. If brand positioning is overly functional, marketing execution will focus on rudimentary tactics, which not only limits growth potential, but can push down share and margins.

Clearly, some retailers manage to carve out a distinctive brand position or image, perhaps based on their unique heritages or proprietary designs. Such brands have the potential to outperform in their sector, especially if they secure top mindshare. That said, these companies may still struggle to grow for a variety of reasons. For instance, their customers may migrate to emerging competitors, or an e-commerce pure play may come along and disrupt their sectors.

This contrasts with brand positioning built on emotional connection. Emotional connection is the most valuable, predictable, and enduring relationship a retailer can have with customers, and a strong, emotion-infused brand position can help a retailer drive and sustain growth over time.



Emotionally connected brands have the potential to outperform in their sector.

Building Emotional Connection through Campaigns, Experience, and Merchandise

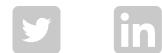
An emotional connection is most powerful when it serves as a lens for optimizing a brand's customer experience, merchandise mix, and campaigns. Infusing the entire customer journey with emotional connection will deliver sustained growth, both in terms of customer acquisition and share of wallet. Once marketers understand who they want to target, and the precise emotions that motivate profitable behaviors, brands can apply this insight into every aspect of their customer journey, from how customers initially interact with them, how they engage with the brand along the customer journey, all the way to the products they shop for and eventually purchase.



Conclusion

Acquiring new customers and growing the value of existing ones has never been more difficult to achieve. With marketing ROI declining as costly campaigns fail to yield results, marketers must look to accelerate organic top-line growth by targeting and monetizing consumers who are or have a predisposition to becoming emotionally connected with their brands. Yet, while most marketers agree that activating emotional connection is an important part of their go-to-market strategy, it remains a largely untapped opportunity for accelerating growth. Now that emotional connection can be identified, measured, and activated, it can be used to drive customer acquisition, add a persuasive power to communications and experiences, increase share of wallet, achieve higher lifetime value, and influence brand advocacy behavior.

The value of emotional connection isn't theoretical; retailers need to capitalize on their highest impact growth opportunities and concentrate their investments on sustainable strategies by utilizing the predictive power of emotional connection.



**Contact us today and learn how
Emotional Connection will revolutionize
growth for your brand.**





Motista, the pioneer of Predictive Emotional Connection Intelligence™, enables Fortune 1000 business leaders to accelerate customer and financial growth by activating Emotional Connection. Motista provides Emotional Connection Targeting™ solutions for acquiring and growing your most valuable customers. By utilizing Motista's proprietary data asset, we identify the actual people most predisposed to becoming emotionally connected with your brand. We then help you activate these individuals across channels and campaigns to boost conversion and accelerate growth.



**CONTACT MOTISTA TODAY AND LEARN HOW PREDICTIVE
EMOTIONAL CONNECTION INTELLIGENCE WILL
REVOLUTIONIZE GROWTH FOR YOUR BUSINESS.**

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