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BRAND KEYS 2013 CUSTOMER LOYALTY INDEX FINDS SEISMIC SHIFT IN HOW CONSUMERS EMOTIONALLY ENGAGE WITH PRODUCTS, SERVICES

IN SOME CATEGORIES EMOTIONAL ENGAGEMENT BOOST BRANDS, IN OTHERS BRANDS DISAPPEAR, CATEGORIES COMMODITIZE

Samsung and Amazon Unseat Apple, Ford Drives Up List, NFL Scores Big-Time

NEW YORK, NY (February 5, 2013) – The combination of consumer empowerment via the internet and social networking, ever-inflating consumer expectations, and experience with price promotions and discounting have finally reached saturation-levels, triggering a tipping point in the branded world, where emotional engagement is the dominant driver of purchase decisions and brand loyalty. The indisputable primacy of emotional engagement with successful brands is the critical finding in the 17th annual 2013 Brand Keys Customer Loyalty Engagement Index® (CLEI), conducted by the New York-based brand and customer loyalty and engagement consultancy, Brand Keys (www.brandkeys.com).

"It should come as no any surprise to marketers that consumers seek greater levels of emotional engagement with products and services they stick with and make profitable," said Robert Passikoff, President, Brand Keys. "The rule of thumb should be to view the decision process to buy a brand – and then buy it again – as more emotional than it is rational. Estimates for most categories report a 70:30 ratio. "Marketers have made some initial stabs at trying to understand emotional engagement via flavor-of-the moment approaches like neuromarketing and brain activity measures, which are assumptive and aren't really generalizable, and none of it identifies what products and services need to do to remain successful brands," stated Passikoff.

Brands – products and services that consumers *do not* see as being freely interchangeable – that appear at the top of the 2013 year's survey, include: Samsung (taking the #1 spot from Apple in the Smartphone category), Amazon (which took the #1 spot from Apple in the Tablet category) and kept its #1 ranking for E-readers, and Hyundai and Ford which tied for #1 in the Automotive category, all exhibit much higher delivery against emotional category engagement drivers. "For example," said Passikoff, "increased expectation in personalization and a sense of personal productivity in the smartphone category was what contributed to Samsung's triumph over Apple. Unfortunately, those things don't show up in tracking studies, 'neuro-sensorimotor responses to market stimuli,' or digital traffic counts. You need to identify real emotional engagement drivers to do that."

"And if you look at what drives consumer emotional engagement in a category, it's clear that the rational stuff is but table-stakes," said Passikoff. "If you don't have a handle on the emotional side of the purchase and engagement process, you might as well spend your marketing budget on coupons and promotions."

Methodology

For the Brand Keys 2013 survey, 39,000 consumers, 18 to 65 years of age, drawn from the nine US Census Regions, self-selected the categories in which they are consumers, and the brands for which they are customers. Seventy percent (70%) were interviewed by phone, twenty-five percent (25%) via face-to-face interviews (to include cell phone-only consumer households), and 5% participated online.

Assessments are based on an independently-validated technique that fuses rational and emotional aspects of the categories to identify the drivers for the category Ideal, and to determine how well the brand meets – or exceeds – expectations consumers hold for the Ideal in the category. The proprietary research technique combines psychological inquiry with higher-order statistical analyses to deliver a verified test/re-test reliability of 0.93, with results generalizable at the 95% confidence level. It has been successfully used in B2B and B2C categories in 35 countries around the world.

Two New Categories

While two new categories, Natural Food Stores and Sporting Goods and Recreational Retailers, were added to the 2013 survey, "some categories have become so commoditized that – though consumer are aware of their names – they have lost any sense of 'brandness', become so small in terms of the actual number of national providers, or are becoming technologically obsolete," said Passikoff, that it's brought this year's CLEI assessments to 54 categories and 400 brands."

Below are the brands with highest levels of consumer engagement in their respective categories. The percentages indicate the emotional engagement strength achieved versus a consumer-generated, category-specific Ideal, calculated to be 100%.

Airline: US Airways (85%)
Athletic Footwear: Sketchers (86%)
Automotive: Ford/Hyundai (93%)
Bank: JP Morgan Chase (79%)
Beer (Light): Coors Light (89%)
Beer (Regular): Coors/Sam Adams (90%)
Breakfast Cereal: Cheerios (91%)
Car Insurance: State Farm (82%)
Car Rental: Avis (92%)
Casual Dining: Applebee's (82%)
Coffee; Dunkin' Donuts (90%)
Computer (Laptops): Samsung (91%)
Cosmetics (Luxury): Clinique (93%)
Credit Card; Discover (94%)
Diapers: Pampers (95%)
E-Readers: Kindle (92%)
Evening News Shows: ABC (97%)

Flat Screen TV: Samsung (88%)
Gasoline: Shell (89%)
Hotel (Luxury): Inter-Continental (82%)
Hotel (Upscale): Hilton/Marriott (81%)
Hotel (Midscale): Best Western (86%)
Hotel (Economy): Days Inn (88%)
Insurance: New York Life (81%)
Major League Gaming: Call of Duty – Modern Warfare (93%)
Major League Sports: National Football League (86%)
MFP Office Copier: Canon/Konica Minolta (81%)
Morning News Show: Good Morning, America (ABC) (94%)
Mutual Funds: American Funds (79%)
Natural Food Stores: Whole Foods (93%)
Online Brokerage: Fidelity.com (85%)
Online Retailers: Amazon (96%)
Online Travel Sites: Expedia (88%)
Packaged Coffee: Dunkin' (95%)
Parcel Delivery: UPS (87%)
Pet Food (Canned) for Cats: Fancy Feast (93%)
Pet Food (Canned) for Dogs: Cesar (94%)
Pizza: Domino's (84%)
Printers: Canon (88%)
Quick-Serve Restaurants: Subway (95%)
Retail Store (Apparel): J. Crew (82%)
Retail Store (Department): Kohl's (80%)
Retail Store (Discount): Walmart (89%)
Retail Store (Home Improvement): Home Depot (90%)
Retail Store (Sporting/Recreational Goods): Dick's (83%)
Search Engine: Google (85%)
Smartphones: Samsung (87%)
Social Networking Sites: Facebook (88%)
Soft Drinks (Diet): Diet Coke (89%)
Soft Drink (Regular): Coke (90%)
Tablets: Amazon (92%)
Toothpaste: Colgate (94%)
Vodka: Grey Goose (91%)
Wireless Phone Service: AT&T (87%)

11 Categories No Longer are "Brands"

"Kudos to companies that have sustained their brands, and continue to create meaningful differentiation and engagement," said Passikoff. "Consumers in those categories have, as they've done for nearly 20 years via our emotional and predictive metrics, indicated that their expectations regarding 'brand' have again increased. Brands able to better meet consumer expectations act as surrogates for added-value, engendering more loyalty than those based on the primacy of product and a coupon!"

“This year though, many products and services that consumers formerly viewed as ‘brands’ are now regarded as comparable in *all* key attributes that drive purchase in their categories, making real brands and engagement increasingly rare, but more profitable,” said Robert Passikoff,

Brand Value Decreasing in CPG…

“However, of the categories surveyed last year, we found 11 categories, mostly CPG, where the importance of brand or emotional brand value has decreased or disappeared,” noted Passikoff. “That’s the first time we’ve seen such consumer reaction. Of course, companies should have expected it would happen eventually. You can’t build your market on constant low-lower-lowest pricing strategies and promotions, and expect your offering to be seen as different or better than the competition – who’s doing precisely the same thing.”

Brand Keys emotionally-based engagement and loyalty metrics found that in the 11 categories they had formerly measured (OTC Allergy Meds, Cosmetics, Facial Moisturizer, Hair Color, Shampoo, Conditioner, Laundry Detergent, OTC Pain Relievers, Paper Towels, Pasta Sauce, and Tooth Whiteners) the product evaluations by the brands’ own customers were found to be statistically identical.

“Names of products were, of course, known,” noted Passikoff, “but consumer choice is, for the most part, *not* driven by awareness. Purely rational aspects still drive these categories –primacy of product (does it do what it says well enough that I don’t complain?), location (is it on the shelves where I shop?), is it selling at a good price (where’s my coupon?) – but it doesn’t drive emotional engagement or brand loyalty.”

“Advertising and promotion does drive consumer behavior, but no matter how entertaining the ad, it’s extraordinarily less powerful than being able to leverage emotional aspects of the product and service themselves,” said Passikoff. “If all you stand for is ‘shampoo,’ you’ve become a ‘placeholder’ product, one whose name people know but don’t know for anything in particular and have absolutely no (brand) advantage in the marketplace.

Technological Obsolescence

Technology has “genetically modified” some categories so that, while they still exist, they are shrinking rapidly. The 2013 CLEI found five such categories: Cellphones (with consumers moving to smartphones), Blu-Ray players, Digital Point & Shoot, Digital SLR cameras, and Movie Rentals. “The categories are there, but consumers are migrating to newer and different technologies.”

Compressed Categories

Four (4) categories Brand Keys has measured in past waves have gotten so “compressed” in terms of actual competition, that there is no longer a reasonably large enough inventory of national brands to examine (defined as more than three, which is why the Retail Electronics category disappeared from the evaluations several years ago). This year these included: Drug Stores, Retail Office Supplies, Price Clubs, and Packaged Ice Cream.

Brand Keys assessments provide the emotionally-based diagnostics to explain this migration to ‘placeholderism.’ “But all this changes the paradigm of what ‘brand’ and ‘brand value’ have become in a more-and-more consumer-controlled marketplace,” noted Passikoff.

Brands That Are Still Brands

“Real brand loyalty and emotional engagement is still the Holy Grail of marketing. Loyalty is still a leading-indicator of consumer behavior and profitability. Brand power is one of the first measures of competitive advantage that investors seek, since companies that *can* leverage their brand always profit from long-lasting customer loyalty that drives sales,” said Passikoff.

A complete listing of category and brand rankings can be found at http://info.brandkeys.com/acton/attachment/943/f-002d/0/-/-/-/-/file.pdf

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