2018 Retail
CX Trends Report

Trust and Loyalty in the Experience Economy

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Methodology — InMoment surveyed 1,300 consumers in the United States to understand the state of trust and loyalty, as well as customer perception about retailers' attempts to offer more experiences versus simple transactions. Data has been cleansed and validated.

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Introduction

In the age of what McKinsey & Co. calls the "experience economy," retailers are faced with a challenge: They must innovate the products and services they offer while also creating and maintaining a customer experience that will keep customers both trusting and loyal in the face of endless options.

It seems like a lofty goal, and many retailers and brands have stepped up their game by ironing out the seams between online and in-person, listening more and more transparently, and transforming brick-and-mortar locations into experiential environments versus simple transaction points.

In addition to these massive changes, brands are also competing in a space in which consumer privacy and trust is more valuable than ever. In the wake of Facebook's infamous Cambridge Analytica scandal and new regulations like GDPR, consumers around the world are owning their personal data in a very new way, and asking both governments and brands to raise their bars when it comes to security and value.

Amidst these new rules and fundamentally different expectations has risen a more empowered customer — one who has brands asking if ideals like trust and loyalty still exist between individuals and institutions, or whether we've entered a new world where infinite choice and outsized bargaining power have turned these important commercial tenants into relics.
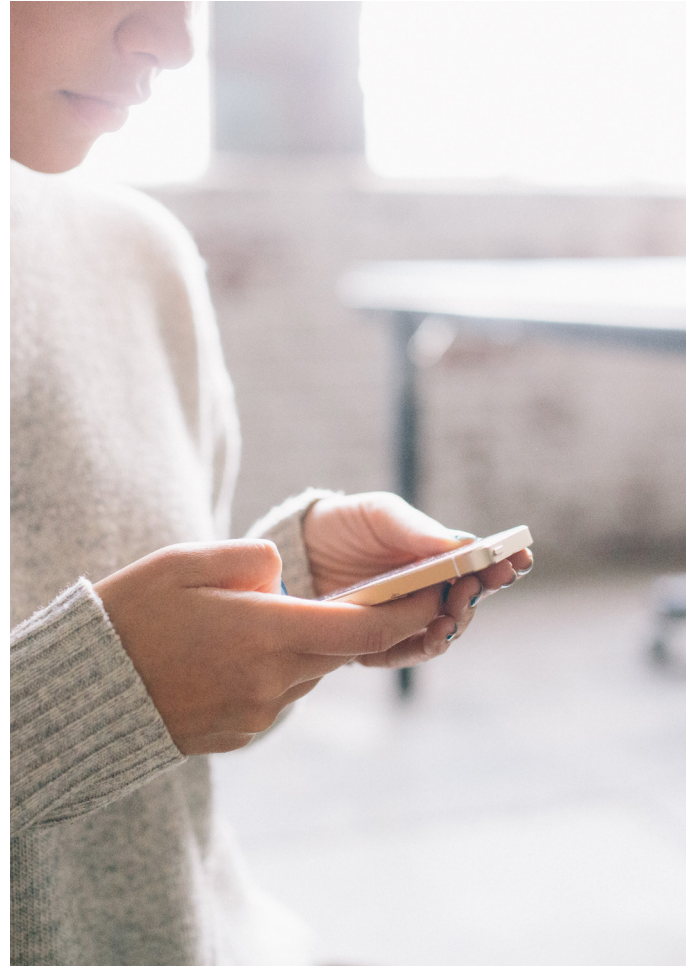
Consumers around the world are owning their personal data in a very new way

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InMoment surveyed 1,300 U.S. consumers to understand the state of trust and loyalty, as well as customer perception about retailers' attemps to offer more experiences versus simple transactions. Our research produced a treasure trove of insight; here are the three major themes that surfaced:

#1

Trust and mistrust are earned. Consumers are clear regarding what brands must do to gain their trust, and equally as clear as to what they will give in return.

#2

Loyalty is alive, and well... complicated. Today's consumers are clearly loyal. However, how modern loyalty manifests itself may surprise brands.

#3

Consumers crave experiences, not just purchases. Even simple transactions can be meaningful, but consumers appreciate when brands make small efforts to make a transaction feel like more than a generic exchange.

There's a lot of good news for brands in these findings. Despite the popular narrative, consumer loyalty absolutely still exists — albeit in a much more complex and nuanced fashion than normally acknowledged. And retailers are right to focus on building trust with their customers, however keeping data safe isn't the end-all, and it's definitely not enough. Finally, despite concerns regarding "ever increasing expectations," customers care less about being wowed than they do about retailers keeping their basic promises.

Trend #1: Trust and Mistrust Are Earned

It's not surprising that customers want to shop with brands they trust. In fact, **88 percent of respondents agree trust is "extremely important" when deciding where to shop** (with 40 percent reporting they "strongly agree").

Trust is About More than Data Security

When brands talk about gaining and keeping their customers' trust, most discussions and assumptions center on data security and privacy. Major events like the Facebook Cambridge Analytica scandal, the launch of GDPR in Europe, and discussions over more stringent national legislation continue to push this issue to the top of newsfeeds. However when we asked consumers about the most important actions retailers can take to build trust, the top pick by far (55 percent) was "deliver what they promised." **Keeping data safe came in at just 13 percent**, and other factors like personalization and supporting shared values registered only in the single digits.

The inverse is also true, and to an even greater degree. **The failure to live up to a brand's promise was the "biggest deal breaker" for consumers, with 67 percent choosing this as the chief reason for losing faith with brands they previously loved.** Failing to keep data safe and sharing it without permission registered at just 17 percent.

60%
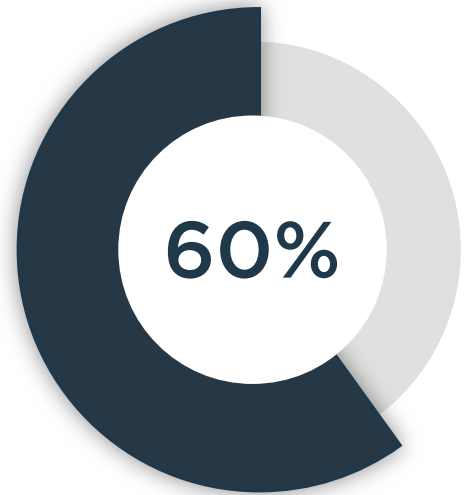
Nearly 60 percent of consumers say they feel Confident with retailers they trust, versus much milder emotions like Relieved or Safe. This reinforces the finding that trust isn't just about keeping data safe and sound; it's about relationships and emotional connection.

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IN THEIR OWN WORDS

The brand that I feel most loyal to must perform consistently and maintain the same value that allowed me to trust that brand to begin with.

I trust them and continue to only use them. I like a brand that I trust and that is reliable to me all of the time. A level of trust that takes time to earn.

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Trust in the New Millenium

Trust looks and feels different depending on the demographic. For example, though all demographics view trust as a balance between "head" and "heart," **Millennials are most likely of all age groups to view trust as more of a "heart" issue** (16 percent versus an average of 10 percent). In fact, we saw an inverse relationship between age and willingness or respondents credit emotion with driving trust levels. And when we got to the oldest group, the 73-90-year-old Silent Generation, not a single respondent said that brand trust was primarily heart-led.
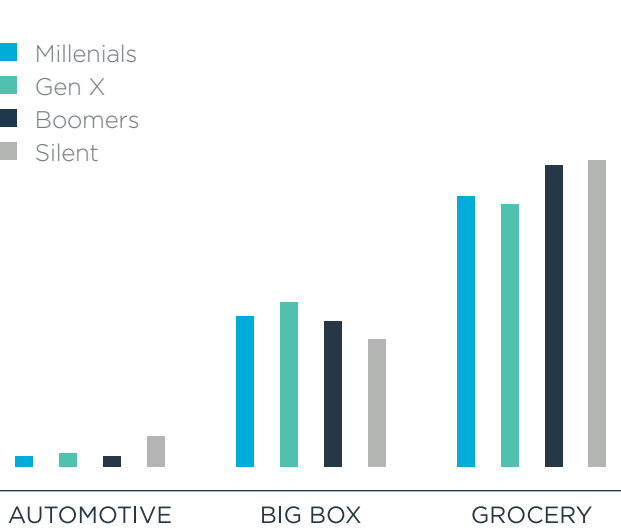
Trust and the Bottom Line

Trust is important in the brand-customer relationship, but does it matter to the bottom line? Retailers may be tempted to classify trust as difficult, if not impossible, to quantify. However, the data indicates there's a real payoff for earning and keeping consumers' trust. Approximately two-thirds of consumers will buy more, shop more often, and recommend trusted retailers to friends and family. **Nearly 50 percent of consumers say they are willing to spend 11-50 percent more with brands they trust a lot**, versus those they trust very little. And nearly 10 percent say they'd spend more than 70 percent with trusted retailers. In other words: trust really does pay.

Most Trusted: Grocery

Almost 37 percent of consumers rank Grocers as the most trusted retailers. Retailers in the Big Box category like Target and Costco came in next at a distant 19 percent.

Least Trusted: Automotive

Ouch! More than half (55 percent) of consumers ranked Auto brands as the least trustworthy retail brands. Other retailer categories were nowhere close to this.

Legend:
- Millenials
- Gen X
- Boomers
- Silent

AUTOMOTIVE BIG BOX GROCERY

AUTOMOTIVE BIG BOX GROCERY

Other categories included fashion, discount, convenience stores, luxury, home improvement stores, services and tech & entertainment.
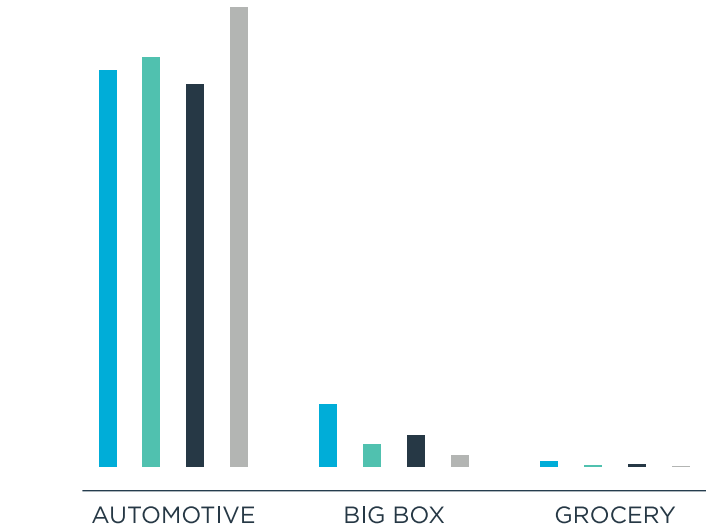
Trend #2: Loyalty Is Alive and Well...Complicated

In a 2017 CNBC interview, Salesforce.com CEO Marc Benioff made a splash when he declared what many retailers had been saying in less flashy forums: "Loyalty is dead."

But is it really? Yes, the internet has created a global storefront where consumers have nearly endless access to supply and choice. Yes, this same forum has created both a bully pulpit and opinion forum for and by the masses. And yes, younger consumers (aka Millennials) seem to care less about buying stuff and more about finding meaning. But do those factors equate to flakiness? We set out to test the assumption that the traditional idea of loyalty — defined by our friends at Merriam-Webster as "faithfulness to which one is bound by pledge or duty" — is dead. You know that fierce commitment your grandmother had to buying only Ford automobiles? We wanted to explore

the existence of a new kind of loyalty — and if it does exist, what it looks and feels like.

As often happens, customers surprised us, and on several levels.

Despite the public declarations to the contrary, loyalty is not only alive, but seems to get stronger as the age of consumers decreases.

Eighty-three percent of consumers consider themselves about the same or more loyal to brands than their parents. And nearly 30 percent of Millennials reported being more loyal than their parents — the highest percentage among all demographics.. When researchers asked those who consider themselves less loyal than

their parents why they felt this was the case, the top answer was that they have more choices (54 percent), with 37 percent saying it was because they have more information.

But choice and education cut both ways. For consumers who felt they were more loyal than mom and dad, 42 percent said it's due to doing more research and having first-hand experience, with 35 percent saying its because they have a larger variety of choices.

The strong message to retailers is that consumers have choices, do their homework, and are more discerning. So when brands deliver on what they promise, customers are more confident in pledging their loyalty. When companies fail this basic test, consumers have no problem looking elsewhere.

A Modern Relationship

Researchers asked consumers to classify themselves as one of three loyalty types. Here's how they ranked them:

### #1: SHARE THE LOVE.

Sixty percent of consumers said that while they aren't singularly committed, they are faithful to a "select" number of brands.
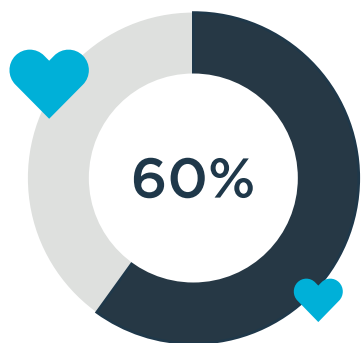
#2: PLAY THE FIELD.

Nearly a fourth (23 percent) of consumers say they are not loyal to specific retailers or products. They tend to make purchasing decisions in the moment depending on new products/services, price, offers/sales, recommendations, etc.
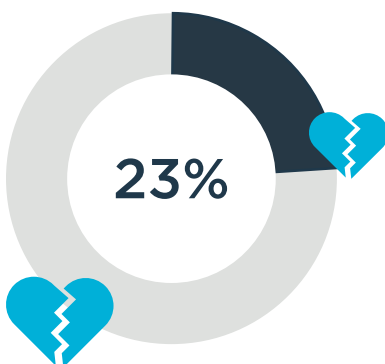
#3: MONOGAMISTS.

Just 17 percent of consumers classified themselves as "fiercely loyal" to a handful of brands — typically one per category. This rare breed tends to shop at only one only grocery store, purchase one brand of automobile or clothing, etc.

60%

23%

17%
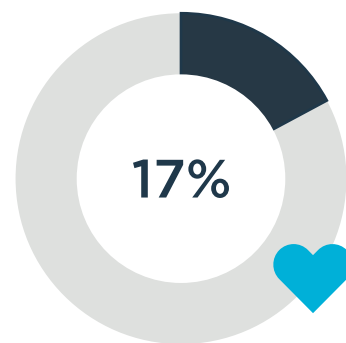
IN THEIR OWN WORDS

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I'm treated with respect, and I'm not just a "customer number" to them. They train their employees to care about me as a person, and they offer their best support when things don't go right. Even if things go wrong often, I won't change my loyalty to them because I can trust that they will always work with me to make things better and that they will always care for me as a loyal customer and friend.

The Object of Their Affections

When consumers say they're loyal, to what are they saying they are loyal?

The study asked whether these feelings were directed primarily to a brand/company, or on more of a product or service level. More than half of consumers gave a mixed response, saying that it depends on brand or product/service. Slightly more (26 percent versus 21 percent) of customers said they tend to feel more loyalty to brands versus products. Millennials were the most definitive group, with 30 percent saying they feel loyal to brands.

For retailers, this is a critical distinction. Consumers are loyal to what and where they find value. Brand-level loyalty may be more about lifestyle or aspiration, while fealty to specific products may be more about efficacy. Knowing why customers commit can illuminate an incredible range of business activities, from brand messages and new product development, to demand generation campaigns and experience design.

Earning (and Destroying) Loyalty

With loyalty so essential to retail success, we wanted to better understand consumer perception regarding how loyalty to a brand both develops and unravels. The data revealed that for both scenarios, it's a journey. The large majority of shoppers — **80 percent — said they "grew to love" a brand over time**; the cumulative effect of great products, service, buying experiences, positive reviews and recommendations from others. Fifteen percent experienced "love at first sight," and 7 percent committed after a glowing recommendation from a trusted source.

When it comes to breaking up with a brand, nearly two thirds (58 percent) of consumers said it takes several "really bad" experiences in order to make the hard choice to leave; with 34 percent saying it's more a matter of "growing apart" as they experienced a gradual decrease in what was special. **Just 19 percent of customers said they only give a brand one chance to fail before they leave.**

Brands shouldn't get too comfortable, though. While the research demonstrates that today's retail customers can be quite loyal, there's a limit to their commitment. **Nearly 50 percent of customers say they've left a brand to which they were loyal to go to a competitor that is better at meeting their needs.** Failing to stay relevant will accelerate the exit of even your most loyal customers.

LOYAL CUSTOMERS GIVE BETTER FEEDBACK

Customer data is an increasingly precious commodity, and the authentic, direct feedback variety packed with rich detail has so much more potential than simply helping retailers win back a detractor or showcase a fan. Conversations captured directly from customers can serve as early warning signals for product and marketing campaign failures, indicate emerging opportunities for competitive differentiation, and help brands allocate resources to the most essential areas of their business. **Customers who feel high levels of trust and loyalty are significantly more likely to share ratings (in the 90 percent range for both) and detailed commentary (both exceeded 70 percent) about their experiences.**
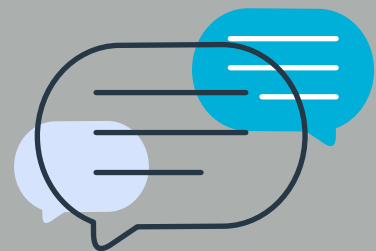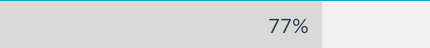
The Economics of Loyalty

For those fortunate brands that achieve loyalty status with their customers, the benefits are tangible and significant.
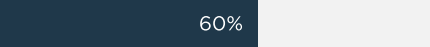
LONG-TERM RELATIONSHIPS:

A whopping 77 percent of consumers say they've held relationships with specific brands for 10 or more years. This is even true of 60 percent of Millennials, despite being relatively young.
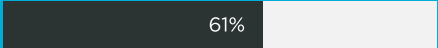
MORE, MORE, MORE:

Sixty-one percent of customers say they will go out of their way to buy from brands to which they are loyal, and 60 percent will make more frequent purchases (that number rises to 70 percent among Millennials); 50 percent will purchase more products.

TELL A FRIEND:

Seventy-five percent of loyal customers will recommend a brand to friends and family.

10+ Year Relationship

77%

Go Out of Way

61%

Recommend to Friend

75%

10+ Year Relationship (Millennials)

60%

Buy More

50%

Make More Frequent Purchases

60%
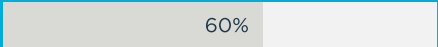
Make More Frequent Purchases (Millennials)

70%

Trend #3: Consumers Want Experiences, Not Just Purchases

It used to be that retailers considered the four P's of marketing when pushing their wares to consumers: product, price, promotion and place. Today, however, not many brands can rely on a single P to differentiate, but are instead dependent on one big E: Experience.

While the rise of Amazon originally created a serious question about whether fast, easy e-buying would largely replace traditional brick-and-mortar retail, the last year has turned the conversation to something more complex. Amazon, Warby Parker, and other born-digital brands have increased their investment in physical stores, bowing to the undeniable fact that some experiences — or components of the experience — are just better in person.

Our 2018 Retail CX Trends study asked consumers whether a "recent, enjoyable" shopping experience occured at a physical store, digitally, or through a combination of physical and digital.

More than half of consumers (53 percent) said it was in a store.

The research also showed an interesting trend: The younger the consumer, the more likely they are to have enjoyable retail experiences in the digital realm alone, and as a hybrid blend of digital-physical. Brick-and-mortar stores will continue to be essential touchpoints, but retailers must address the need to elevate and embed digital elements if they hope to be relevant to their next-gen customers.

Our researchers wanted to know what elements of a retail interaction elevate a mere purchase to an experience. The two top answers were at the opposite ends of the intensity spectrum. Coming in at No. 2 was **Personalization**. Part of what elevates a brand experience

is making customers feel special. And while retailers are directing the large majority of resources toward digital personalization, 30 percent of respondents said personalized treatment in stores is what elevates a mere purchase to an "experience."

Now for the top-ranked response: **Product quality.** At first read, this may feel anticlimactic. After all, quality doesn't have the same sparkle as some of the other options, like multisensory elements like smell, taste, touch, or access to experts. What this rather mundane-sounding selection may indicate is consumers' focus on the experience beyond the initial purchase experience — the enduring impression that a good, quality take-away creates long after the transaction.

The Forgotten Experience

Retailers often forget that giving feedback about an experience is actually part of the experience. They over-survey their customers with questions that they want answers to, and do so in old-school, multiple choice formats.

Our researchers wanted to know what kind of feedback experience consumers consider the "ultimate" experience. The top pick, by far, was the ability to give ratings at 88 percent. Thanks to the ease, quickness, and increasing gamification of ratings, this was not a surprise.

The next three picks included participating in focus groups (35 percent), speaking naturally via voice assistants like Siri or Alexa (26 percent), and sharing images (25 percent). While making feedback fun and simple is nice for customers and can produce a mountain of valuable structured data to analyze, their stated willingness to harness new technologies to share more detailed, more personal data is worth noting. In line with other topics in the study, younger consumers are more willing to engage with brands in "intelligent" conversations; a gift that brands should rush to embrace.

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IN THEIR OWN WORDS

Every time I buy a product from this brand, I feel special as the treatment I get from the staff is exceptional and the quality of the products is high. It might be on the expensive side but it is all part of the experience. I would rather pay more and made feel special.

Conclusion

Trust and loyalty, like every other human value, are complex. Today's retail customers have new expectations that can be difficult for brands to match. At the same time, the findings in this study were very clear: Today's consumers will be very loyal when retailers deliver the meaningful value they promise, and in a way consumers can count on.

About InMoment

InMoment™ is a cloud-based customer experience (CX) intelligence platform, arming brands with compelling customer insights to drive high-value business decisions and relationships with both customers and employees. The company's industry-leading Customer Feedback Management platform leverages a proprietary, AI-based analytics engine to power a full suite of Voice of Customer (VoC), Voice of Employee (VoE), Employee Experience, and Social Reviews & Advocacy solutions. InMoment also provides strategic guidance, support, and related services to more than 350 brands across 95 countries. For more information, visit www.inmoment.com.

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