

The power of perception

Creating value through integrated touchpoint management



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Touchpoint management challenges today

In a survey of over 100 managers across a range of sectors, 95% agreed that professional touchpoint management was becoming increasingly important for businesses - yet only 7% felt they had a satisfactory approach (Esch/Kochann, 2013). This chimes with the findings of many other surveys that we at TNS have conducted over recent years.

To help close this gap, we collaborated with university researchers and clients to develop an innovative approach to integrated touchpoint management that incorporates recent behavioural economics findings.

In this white paper we:

- provide an overview of the challenges companies face (**section 1**)
- identify the key issues and outline our research approach (**section 2**)
- highlight the benefits of our approach with a case study (**section 3**)
- summarise our key learnings (**section 4**)

About the author



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As Director of Brand & Communications for TNS in Munich, Niels specialises in brand touchpoint management and leads the development of our offer in this area (Connect solution) as well as providing consultancy for clients and TNS.

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1.1

Understanding the impact of touchpoint experiences

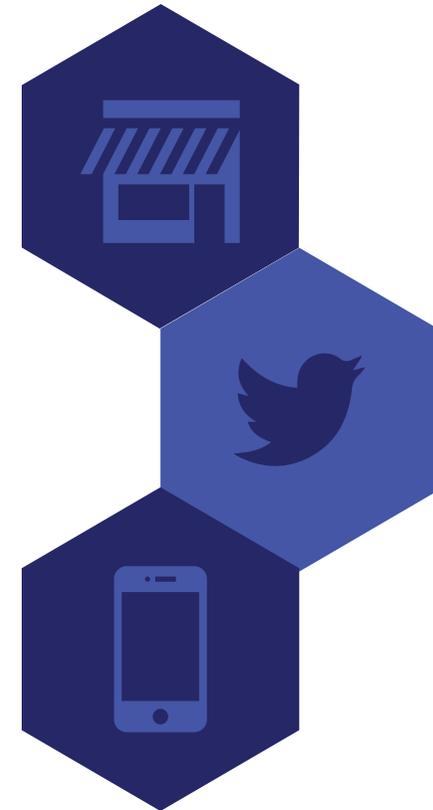
“By 2020, advertising will shift from being an additive element to being an invisible, inspirational, and indispensable part of product and service experience.”

Karl Isaac, Head of Brand Strategy and Innovation, Adobe, 2014

Today businesses have an almost infinite number of ways of engaging with consumers. These points of contact, widely known as **‘touchpoints’**, have grown rapidly over recent years as a result of the near-ubiquity of the internet and smartphones. Many consumers are online 24/7, potentially making them permanently available to receive brand messages.

Every brand manager is concerned about their brand presence on search engines, comparison sites and social media, and many businesses are paying more attention than ever to touchpoints beyond traditional advertising channels.

While the importance of digital touchpoints is rapidly growing, tangible touchpoints still play an essential role. For example, one study we conducted in 2015 showed that in the food retail sector, customer magazines are particularly important for building brand equity. In contrast, when buying coffee, consumers attach more weight to their own experience of the product and TV advertisements - and the greatest influence on brand perceptions for car buyers is seeing a manufacturer’s car on the road and test reports.



1.1

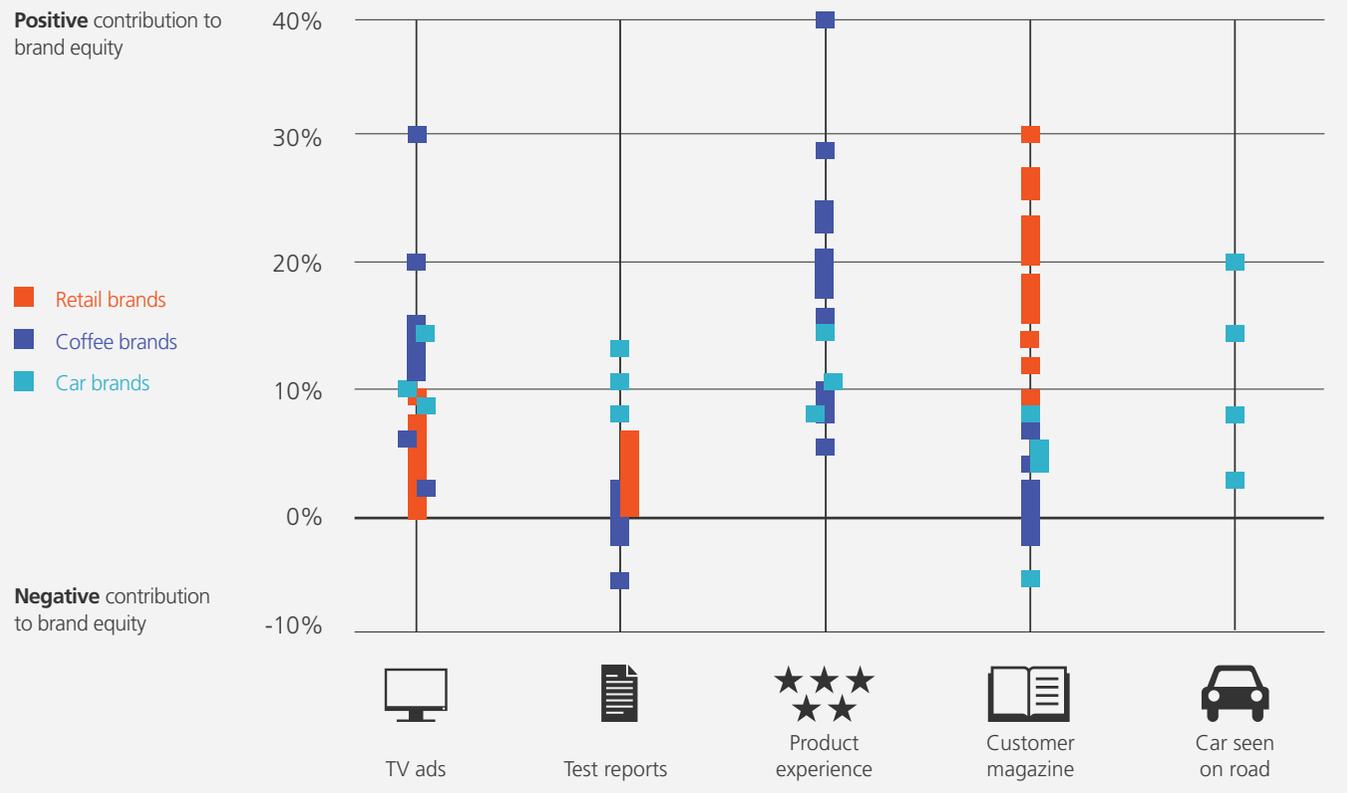
Understanding the impact of touchpoint experiences

“Advertising was built on an interrupt and repeat model. Frequency and reach were the deities to which we prayed. Like a petulant child, marketers hoped that if they spoke sufficiently loud and often, they would get noticed.”

Wind/ Hayes, 2015, p. 41

Consumers are increasingly likely to actively ignore or circumvent irrelevant brand messages, for example, by using ad-blocker software or sites that don't carry advertising (e.g. Spotify or Netflix). In today's 'engagement economy', consumers increasingly decide for themselves whether, when and where they will engage with brands.

Figure 1: Contribution of paid, owned (self-generated) and earned (user-generated) touchpoints on brand equity



1.1

Understanding the impact of touchpoint experiences

The challenge for many brand managers is, therefore, not just to reach as many consumers as possible, but also to generate engagement with those consumers to achieve the greatest impact. The aim is simultaneously to optimise the **quality of reach** and **the quality of engagement**.

This poses entirely new challenges for businesses. The reach of (paid) touchpoints, often identified by media agencies, only delivers some of the information required, and companies now need an approach that provides insights, not just about the quantity of contacts (brand reach) but also about their quality. It is about the power of perception: Do consumers remember a brand experience? And did the experience change their attitude towards the brand? Only when they have this information can brand managers and media and creative agencies jointly create impactful and effective brand communication across the full range of touchpoints.

In their daily lives, consumers now often only encounter brands peripherally. As a result, the accurate measurement of touchpoint reach and its impact on brand attitudes relies on knowledge of the neuropsychological processes involved in information processing.

“The vast majority of individuals still believe that our memory operates like a video camera, recording experiences and storing them largely verbatim in our memory. This belief was long ago disproved by neuroscience.”

Lutz Jäncke, professor for neuropsychology,
University of Zurich, 2015

1.1

Understanding the impact of touchpoint experiences

Memory is, in fact, an active and continually updated reconstruction of the past, which receives and incorporates new information all the time.

Nobel Prize winner Daniel Kahneman (2011) stresses the **importance of System 1 information processing**, which takes some of the cognitive load off our brain. During memory creation, System 1 operations enable our brain to simplify, distort or actually change experiences, something that can be observed in many different situations.

According to Zaltman (2003, p. 50), we can assume that up to 95% of consumer decisions are made by the spontaneous, emotional operations involved in System 1 processing, and this is reinforced by our often peripheral perception of brands at touchpoints. However, the tools traditionally used by market research still tend to focus on the more extensive, rational operations involved in System 2 information processing.

A modern approach to measuring touchpoint impact must, therefore, integrate the Power of Perception, i.e. mechanisms by which information is processed implicitly. This is the first key learning of our approach.

1.2

Integrated touchpoint modelling

For many products, consumer purchases form part of a continuous 'customer journey', with consumers often moving seamlessly from one purchase to the next. This generates a continuous flow of touchpoint interactions, and gives many businesses a major challenge in terms of devising an integrated and coordinated approach to brand and sales.

This challenge is primarily organisational: the departments involved in the customer journey (product management, brand management, marketing, sales, after-sales, etc.) often take different approaches to achieving their aims. They are usually discrete departments that rarely coordinate with each other. This produces silos throughout the customer journey of which consumers themselves are unaware and to which they are largely indifferent; they perceive only a single originator – the brand – at each touchpoint.

Integrated touchpoint management must, therefore, tackle its customer interactions holistically and measure the influence of all touchpoints throughout the customer journey – in terms of both **long-term brand attitude and short-term sales impact**.

In practice, however, businesses often do exactly the opposite: each department only measures its own touchpoints, often using its own methodology. This produces a fragmented picture that does not lend itself to comparison or integration across departments. A longitudinal study by Binet and Field (2013) illustrates the potential strategic importance of integrating diverse target criteria. Considering around 1,000 case studies, the authors show that businesses targeting their campaigns on both sales and brand were able to grow their market share in the long-term.

1.2

Integrated touchpoint modelling

Moreover, many existing approaches to touchpoint measurement only consider the impact of touchpoints for one specific brand, ignoring information about competitors' activities. Here, too, the consumer does not distinguish between brand strategies, but assesses brands relative to each other. In routine market research, this problem often arises when the expectations created at the pre-testing stage are not subsequently borne out and do not result in higher market share. The reason is often that **competitors' activities are excluded from analysis**. Even a great campaign can do little for a company's brand if its competitors out-perform it over the same period; indeed, preventing loss of market share can actually be a marker of success in such cases.

For modern touchpoint management, the major challenge is to portray consumer reality in its entirety – that is, across all brands and all touchpoints throughout the customer journey.

Figure 2: Long- and short-term impact of touchpoint messages on sales.

Source: Binet/ Field, 2013



1.2

Integrated touchpoint modelling

Measuring brand experiences throughout the customer journey must start with individual consumers and the way they process information. It is also important, though, to take particular account of the context of their brand experience:

“We always see things around us in relation to each other. We can’t help it! This holds true not only for physical things – toasters, bicycles, puppies, restaurants entrees, and spouses – but also for experiences [...], and for ephemeral things as well: emotions, attitudes, and point of view.”

Ariely, 2009, p.7

This has two implications for integrated touchpoint management:

- The impact on the consumer of a single touchpoint will always depend on his/her **previous brand experience**. Consumers with substantial positive experience of a brand will have high expectations, which will influence how they assess each further experience of the same brand.
- The impact of a touchpoint is influenced by simultaneous **action by competitors**. Ignoring these contextual effects in market research often produces inconsistent findings and only partial explanations.

Moreover, **every consumer is an individual** in terms of his/her willingness to engage with touchpoints and adapt his/her attitudes and behaviour on the basis of touchpoint experiences. These subtleties of human information processing are lost if touchpoint experiences are aggregated for data analysis purposes. Effective approaches to touchpoint measurement must, therefore, analyse individual data and reflect consumer context.

2

Devising a modern research approach

We collaborated with researchers and clients to turn the challenges described above into an integrated approach to touchpoint management. We describe our approach below, and use an anonymised study conducted in Germany, in cooperation with our partner in the automotive sector, to illustrate our approach in practice.



2.1

Measurement: shorter, individual and implicit surveys

Although the vast majority of consumers use System 1 to process brand experiences rapidly, a traditional survey format is more likely to be processed slowly by System 2 and, therefore, to focus on respondents' cognitive and rational engagement with brands and touchpoints. Extensive statement sets are common, with respondents required to read and understand lengthy questions and complex answer formats. This often produces post rationalisation and biased answers.

We worked with our partners to devise a survey method that would enable intuitively processed brand experiences to be measured and recorded. For example, it includes **respondents' response times**. These response times represent the mental availability of information and are an **implicitly measured variable** that can subsequently be fed into modelling of touchpoint impact. The more available a touchpoint experience with a brand is to a respondent, the more rapidly he/she will recall it, and the greater the likelihood that it will influence both brand perception and purchase decisions.

Gaining access to the respondent's subjective brand universe is made easier by systematically replacing text-based answer formats with images (for example, brands and touchpoints). This enables respondents more easily to reconstruct in their mind's eye their brand experiences at different touchpoints.

Intuitive thinking is also stimulated – and rationalisation avoided – by using interactive questionnaires ('**surveytainment**') and playful questions ('**gamification**'). Each respondent reconstructs his/her own brand experience and provides more rapid responses that are closer to his/her subjective reality – and, hence more relevant. We believe that the use of gamified elements and images in questionnaires to promote 'situational memory' and rapid thinking is essential to measuring brand experiences realistically.

2.1

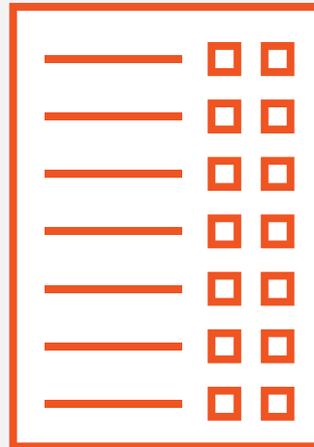
Measurement: shorter, individual and implicit surveys

To keep questionnaire length appropriate for each individual respondent, despite clients' preference for long lists of brands and touchpoints, we developed a **smart questionnaire** that included **individualised relevant content** for each respondent. This included relevant touchpoints, image elements and brands.

The validity of 'short and smart' questionnaires of this kind has been demonstrated in a number of studies: the more relevant a survey is to the individual respondent, the better the quality of survey response (measured in terms of their correlation with consumer behaviour reported by the Single Source Household Panel). The quality of findings is also enhanced, and interviews become shorter, while the interpretability of the results remains unchanged at the total and sub-group level.

Figure 3: Traditional survey methods vs. interactive, gamification approaches

Traditional survey

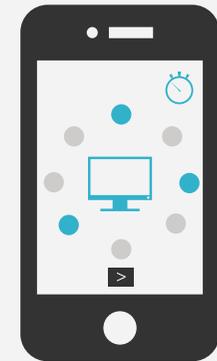


System 1 enabling survey

Visualization and interactive



Gamification and implicit measurement



2.2

Modelling: decision-making heuristics at the individual level

To assess touchpoint impact accurately, it is vital not only that the 'right' data are collected, but also that the 'right' techniques are used to analyse impact. Consumers differ in how they perceive their environment, process information, make decisions and answer questionnaires, so analysis should be based on individuals. It is crucial to focus on the individual and their relative context because:

- Not all consumers are alike
- All perceptions are relative
- Individuals think and behave in non-linear ways.

At first glance, these facts appear obvious. However, comparing an impact analysis devised on this basis with a traditional, driver method shows that traditional analyses largely ignore them. Most analyses do not operate at individual level but cover aggregates of individuals and, therefore, assume that impact is consistent across individuals.

Many regression analysis tools also assume, for example, that impact is linear and additive, ignoring the fact that individuals perceive the world in relative, not absolute terms. This affects not only the comparison of brands and brand experiences but also benchmarking against individual expectations.

2.2

Modelling: decision-making heuristics at the individual level

To counter this, we devised a procedure that operates at the individual level, simulates the impact of touchpoints and brands relative to each other, and reflects a number of criteria. As well as general factors, these criteria include factors related explicitly to individual cases.

General factors

- **Holistic nature:** the impact of an individual touchpoint can only be assessed accurately when all the previous brand experiences an individual has had are also accounted for. When this not the case, assessment may reflect spurious effects where, for example, improved brand perception can be attributed entirely to a recent TV advertisement and the assessment ignores the fact that the product has also recently been recommended to the respondent or the respondent has read a positive consumer report on it.
- **Anchor effects:** the impact of touchpoint experiences depends not on the individual's absolute impression but on how that impression compares with his/her expectations (the 'validation anchor'). For example, an untidy shelf in a discount store may have no impact on consumers' perceptions, whereas a similarly untidy shelf in a speciality shop will have a dramatic negative impact on their overall impression.
- **Diminishing returns:** frequent and positive brand experiences are, of course, good for building a strong brand. However, each additional positive brand experience generates diminishing added value. From a cost-benefit perspective, it is not meaningful to recommend that companies generate as many positive experiences as possible at a single touchpoint.
- **Loss-aversion:** behavioural economics (Kahneman, 2011, inter alia) shows that positive and negative experiences (e.g. profits and losses) are processed differently and have differing impact. We can assume that under normal circumstances, a strong positive brand experience will not be offset by a comparable negative experience, but that the negative experience will have a greater impact. Positive and negative experiences must, therefore, be analysed differentially and their impact measured separately.

2.2

Modelling: decision-making heuristics at the individual level

Individual factors

- **Variability of brand perception:** to analyse the impact of touchpoints on brands, it is important to bear in mind how open to influence an individual's brand perception is. For example, the brand perception of a long-standing Audi driver is likely to be less open to influence from a TV ad than that of a new driver, who has only recently begun thinking about different car brands.
- **Assessment type:** studies of measurement reliability and validity also show that consumers rate similar experiences differently. For example, a hedonist may respond enthusiastically to a positive brand experience, while a more reserved traditionalist will rate the same experience as 'acceptable'. The responses relate to the same experience, but differ widely in their assessment. For touchpoint impacts to be comparable at individual level, impact analysis must also include the individual response characteristics of each respondent.

By reflecting all these factors, our approach generates much more valid measures of touchpoint impact than traditional linear approaches. This individual orientation produces a picture of the impact of touchpoints for each respondent; this makes it easy to look at diverse target groups or market segments. It avoids repeated, time-consuming and costly analysis of different sub-groups and improves reliability: without multiple aggregation and rounding errors, findings are consistent, and the aggregation of impact at the individual level means that the results for the total sample always agree with the combined results of any combination of sub-groups.

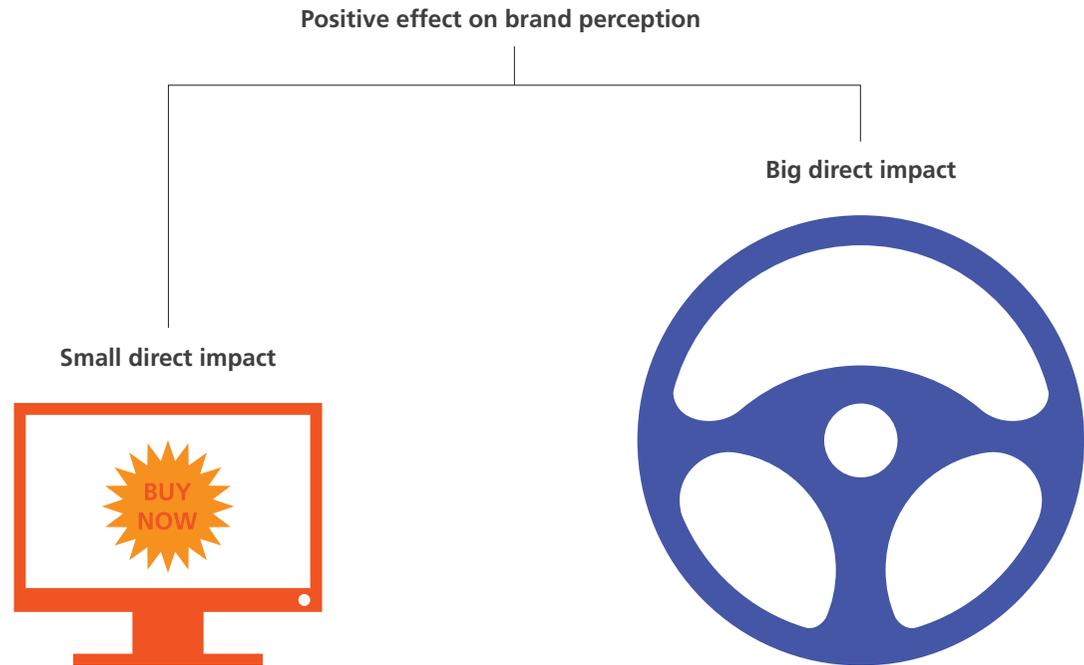
Accurately analysing the impact of touchpoints also enables us to offer our clients a scenario simulation tool to help them make investment decisions. The impact of touchpoints on brands is, however, merely the starting point of this process. Optimal investment planning also requires consideration of the relevant costs and **impact curves**.

3

Case study: Automotive, Germany

We developed our research approach in collaboration with a premium German automotive manufacturer and successfully implemented the study in 2015 in Germany and China. The study tracked the brand and sales impact of 35 touchpoints throughout the customer journey. We were able to make recommendations to optimising each individual touchpoint.

Two criteria were paramount for our client: the impact of touchpoints on the **brand**, and the impact of touchpoints on **sales**. Our findings enabled the direct (short-term) impact on sales to be distinguished from indirect (long-term) impact. For example, TV advertising had a small direct impact on sales when compared with test drives, but its positive effect on brand perception had an indirect impact on sales.



Case study: Automotive, Germany

A number of different stakeholders in the automotive company are now working with this data, using it for **strategic planning** and for **tactically managing** brand communications. These examples give an overview of the concrete ways in which they are using the insights.

- **Brand and communications planning:** strategists from the corporate communications department are using the findings to optimise communication throughout the customer journey. Internal users also include the brand management team, who are particularly concerned with the effects of touchpoints on brand image.
- **Sales management:** the sales and marketing team use the data to look at the short-term impact of touchpoints on sales.
- **Digital marketing:** for clients in the digital marketing area, the study provides a new opportunity to assess the growing level of digitalisation throughout the customer journey and to drive forward the integration of digital and physical touchpoints in a more targeted way.
- **Touchpoint managers:** The study enabled touchpoint managers (including sports and sponsorship managers) to show for the first time that engagement by the manufacturer translates into high brand impact compared to other touchpoints. The study also enabled the company to analyse the link between press work and sales success comprehensively.
- **Network department:** the network department works with architects to plan and design branches, and we found that although branches had a substantial impact on sales, their impact on brand strength was much smaller. The aim is to change this.

- **Market research:** the study also brings direct market research benefits and is helping our client optimise market research activities. The data make decision-making on the marketing needs of individual touchpoints more objective. **Market research budgets** can also be allocated much more efficiently, and the added knowledge fed into touchpoints that have a particularly high impact or do not perform adequately in benchmarking. Meanwhile, central KPIs from the study are used in a range of in-depth surveys, helping to harmonise the indicators used and create synergies (the building-block principle). This boosts comparability of findings across studies but also streamlines questionnaire design and reporting.

The client users drawing on the study are very diverse. The study enables our partner department to boost its **central role in the company**, as the study findings link the different departments. The departments concerned now request specific touchpoint analysis virtually on a daily basis, and presentation and discussion of the study findings to a range of stakeholders has become a central activity.

4

Key learnings

A range of departments and functions in companies use a wide variety of touchpoints to generate beneficial experiences and boost customer brand engagement, both rationally and emotionally. This is true across sectors and industries, both B2C and B2B. As we showed in our case study, an integrated touchpoint management approach can be an effective way of bringing together diverse internal stakeholder groups and discrete success indicators. This boosts communication effectiveness with customers and efficiency of budgets and resources.

Until now, one of the key challenges posed to market research by touchpoint measurement was how to realistically record customers' perceptions and the way they process brand experiences throughout the customer journey. The strong focus on System 2 processing means that information-processing operations were not adequately recorded. We have tackled this with an innovative approach by consistently integrating the most up-to-date findings from behavioural economics regarding System 1 processing. We call it the Power of Perception.

This can be seen in the shorter, 'smarter' questionnaire that makes better use of the scope now offered by digital questionnaire design to more accurately reflect the characteristics of information processing. Assessing impact at the individual respondent level with regards to their mental characteristics means individual processing is represented more realistically than existing approaches. This reality is, in fact, characteristic of the whole approach, including the simulation of investment decision-making between differing touchpoints.

The success of our new approach was immediately evident for our automotive client after the successful development and implementation of the recommendations. Since we launched the approach in Germany mid-2015, we have conducted further studies in a range of product categories and sectors including aerospace, consumer goods, financial services, insurance and retail and wholesale, and across all continents around the world and further fine-tuned our approach.

5

In summary

- People don't interact with touchpoints in a rational manner, so to reliably measure the impact of touchpoints we need to learn from behavioural economics and reflect the way information is processed implicitly to capture the emotional nature of decision making
- A holistic approach across all touchpoints is required to uncover interactions and synergies across touchpoints – throughout the consumer journey. Internal departments need to collaborate and share common KPI's to most effectively manage their touchpoints
- People make decisions in a relative context, so competitive comparisons should be included in the survey design and analysis.
- Shorter, smarter, gamified and personalised data collection improves data quality and reliability
- The impact of different touchpoints should be explored to understand both short- and long-term effects on the path to purchase (short-term sales, and longer term brand building)
- Modelling at the individual respondent level provides a robust way to inform optimal budget allocation and efficient investment decisions by simulating different scenarios

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