



STATE OF THE AMERICAN CONSUMER

INSIGHTS FOR BUSINESS LEADERS

GALLUP®

For more information about Gallup or our solutions for optimizing business performance, please contact Stephanie Holgado at 1.202.715.3101 or gallupanalytics@gallup.com.

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ABOUT THIS REPORT

The State of the American Consumer: Insights for Business Leaders report highlights findings from Gallup's ongoing study of the American consumer from 2008 through 2014. This report provides insights into what leaders can do to improve customer engagement and organizational performance. It examines how consumer spending, confidence, and expectations have shifted because of the economic downturn. And it provides information about how companies can more effectively measure and manage their own customer engagement in this new environment.



FROM THE CEO

American businesses are among the best run in the world, but Fortune 1000 leaders still haven't mastered organic growth. They talk a good game about growing their customer base, but then they go back to their offices, shut their doors, and either acquire competitors or — worse yet — cut their prices even further. They do this because they've given up on organic growth.

This is all wrong. You don't achieve organic growth through acquisitions or price cutting. You accomplish growth by creating many more fully engaged customers — “true believers” in your business.

And you achieve the highest-quality growth by getting a lot more business out of your existing customers. Here is a general rule of thumb for you and your strategy teams: Right now, you're probably doing a maximum of one-third of the business you should be doing with current customers. This means that if you're doing \$20 billion in sales, there's an additional \$40 billion in low-hanging fruit with your current customers, just waiting to be picked. So why go out and acquire another company when you can more fully engage what's right in front of you?

The reason acquisitions don't ultimately produce organic growth is that money can't buy the emotional relationship that creates a fully engaged customer. You can't “acquire” true believers.



Let me put some numbers to this. Gallup research has found that customers who are fully engaged represent an average 23% premium in terms of share of wallet, profitability, revenue, and relationship growth compared with the average customer. Here's another one: Companies that engage both their employees and their customers gain a 240% boost in performance-related business outcomes. These companies understand the essential role of human nature in driving performance, especially in those critical moments when engaged employees and engaged customers interact.

Before you go to your next strategy meeting, read this report, and then ask your team, “What percentage of our customer base is fully engaged right now? How many of our customers are true believers? And what exactly do we have to do to double that number?” Doubling the percentage of your fully engaged customers — your true believers — will boom organic growth and your stock price and will transform the very character of your company.



Jim Clifton
Chairman and CEO

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Many companies that partner with Gallup are finding success by making customer engagement the focus of their growth strategies.

EXECUTIVE SUMMARY

The financial collapse of 2008 and the ensuing Great Recession have changed American consumers. These events have weakened their confidence in the U.S. economy, made them question the businesses they give their money to, and forced them to take a hard look at their own financial habits. Consumers have emerged as more cautious and demanding. When they once used to spend, they now prefer to save. When once they were content to follow, they now want to lead.

Some businesses have struggled to adapt to consumers' shifting attitudes. The recession and its continuing effects on consumer behavior have devastated their sales. Others, though, have managed to succeed in this new normal by creating an aligned and integrated experience built on a foundation of exceptional service. These businesses have created what Gallup calls “fully engaged” customers, those sought-after brand ambassadors and true believers who go out of their way to ensure that they have the businesses' preferred products and services.

Through decades of research with millions of consumers, Gallup has developed a deep understanding of human behavior and the emotional connections that create full engagement and drive performance. This report provides business leaders with insights into today's U.S. consumers and includes an in-depth look at their behaviors, attitudes, wants, and needs in a changing marketplace. It also examines how three major industries — banking, retail, and hospitality — have adapted amid the economic downturn. Finally, this report explains why customer engagement matters and gives leaders practical advice on how they can accelerate the engagement of their own customers.

SOME OF GALLUP'S MOST IMPORTANT FINDINGS INCLUDE:



Consumer confidence is up, but the effects of the recession still linger.

- Although still in negative territory, Gallup's Economic Confidence Index shows that American consumers are more confident in the U.S. economy now than they have been in the past six years. The Economic Confidence Index is the average of two components: Americans' views on the current economic situation and their perceptions of whether the economy is getting better or worse. The index averaged -16 for the first quarter of 2014, which was 32 points higher than the average for 2008.
- Daily spending in the first quarter of 2014 reached an average of \$84. While this showed an improvement over recent years, daily consumer spending still trails behind the 2008 average of \$96.
- Americans continue to worry about their financial security. The percentages of U.S. workers who said they were worried about job security or reductions in wages or benefits were nearly as high in 2013 as they were in 2009 and nearly double the levels seen in 2008.



Engagement affects the bottom line.

- Gallup research has found that customers who are fully engaged represent an average 23% *premium* in terms of share of wallet, profitability, revenue, and relationship growth over the average customer. In stark contrast, "actively disengaged" customers represent a 13% *discount* in those same measures.
- Companies that engage both their employees and their customers gain a 240% boost in performance-related business outcomes.
- Retail banking customers who are fully engaged bring 37% more revenue per year to their primary bank compared with those who are actively disengaged.
- Consumer electronics shoppers who are fully engaged make 44% more store visits in one year than shoppers who are actively disengaged. On average, they spend \$373 per shopping trip, versus actively disengaged shoppers, who spend \$289 per trip.



Consumers and employees don't "get" brands.

- More than 90% of consumer electronics shoppers believe that all electronics retailers are the same and that no single retailer is the best.
- The majority of consumers can successfully identify the core identity elements associated with just two out of six brands.
- Less than half of managers (46%) and about a third of non-management employees (37%) say they know what their company stands for and what makes it different from its competitors.



Service can make or break a relationship.

- Retail banking customers who feel they receive exceptional service are 29% more likely to be fully engaged than other customers.
- Hotels guests are significantly more likely to be fully engaged when they feel like they have been treated as valued guests. However, in a recent Gallup hospitality study, the percentage of guests who said they actually felt valued was less than half.



The digital world is still taking shape.

- Just 5% of consumers who use social media say these channels have a "great deal" of influence on their purchasing decisions, while 62% say they have no influence at all. Gallup research has revealed that friends, in-store displays, television commercials, and even mail catalogs and magazines have more influence on consumers' purchasing decisions than social media.
- Online banking is a net destroyer of engagement. Banking customers who are satisfied with this channel are 7% more likely to be fully engaged than non-users. But when users are dissatisfied, their likelihood of being fully engaged drops by 14%.
- Although many brick-and-mortar retailers see the Web as a threat, less than half of consumers have engaged in a practice known as "showrooming"— examining merchandise in a brick-and-mortar store with the intention of purchasing the product for less online.

WHAT COMPANIES CAN DO TO IMPROVE CUSTOMER ENGAGEMENT

Develop a strong brand promise — and deliver on it.

A brand promise tells the world what a company stands for, what makes its products or services different from the competition's, and why it is worthy of being chosen by customers. Too often, companies fail to create a brand promise that makes them stand out, and eventually they end up blending into the crowd. Companies that want to be noticed must create a compelling brand promise and — just as importantly — must provide their employees with the necessary education and guidance to carry out that promise.

Emphasize consistency across touchpoints. Every time customers interact with a brand, they either become a little more or a little less engaged, but they never stay the same. Businesses increase engagement when they ensure that their customers receive consistent messaging and service at every touchpoint. While the drivers of satisfaction within specific channels may vary, it is crucial to present a unified brand and deliver a consistently great experience. As consumers increasingly interact with more offline and online channels, they will look for businesses that make it easy for them to drive their own experience.

Choose the metrics that matter. Efforts that focus solely on creating highly satisfied customers result in mediocrity and poor business outcomes. Simply satisfying customers is not enough; the most profitable customers are those who have strong emotional bonds with a company. Gallup's customer engagement approach, based on what we call "applied behavioral economics," was designed to account mathematically for the role that human nature plays in just about everything. It goes beyond satisfaction to measure a customer's emotional attachment — which is directly tied to purchasing behavior. Through our metrics, Gallup provides organizations with the data and insights they need to realize a greater return on investment.

Invest in the right employee selection, development, and engagement solutions. Engaged employees go the extra mile for customers and make the most of every interaction they have with them. Leaders who want to grow their revenue have to start from within by first selecting managers and employees with the right talent for their roles. They then have to create a work environment in which those individuals' talents are nurtured and developed. Finally, they must have a mechanism in place for measuring and managing employee engagement. **G**



A CLOSER LOOK AT CONSUMER SPENDING

It has been almost six years since global financial markets collapsed and triggered the Great Recession, which has had a lasting effect on American consumers. Millions of people lost their jobs; spending and investment evaporated; and bankruptcies and foreclosures intensified. Consumers lost confidence — not just in the U.S. economy, but in their own financial security, too. These negative effects continue to stall economic growth.

Although growth has been frustratingly slow in the years since the recession officially ended, the economy seemed to be heading in a better direction by the end of 2013. Record days on the stock market, climbing home values, and a falling unemployment rate all signaled the possibility of brighter days ahead. In the first quarter of 2014, however, a harsh winter led to an unexpected setback in growth. And by June, many economists were predicting that the

U.S. economy would experience growth at the same moderate rate for the year. While many factors affect economic growth predictions, much of the nation's ability to rebound rests with consumers and how much money they are comfortable spending. Gallup research indicates that consumers today are feeling better about the economic climate in the U.S. and are spending more money. However, their spending has not reached pre-recession levels. For many

consumers, the economic downturn left lasting financial and emotional scars. And nagging job worries have only led them to hold onto a recessionary mindset that emphasizes saving over spending.

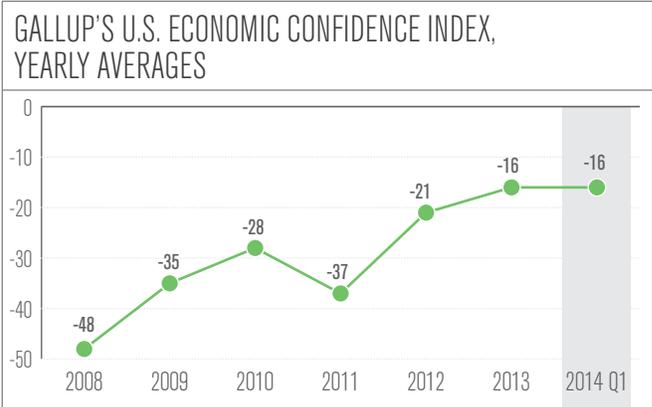
ECONOMIC CONFIDENCE IMPROVING

In January 2008, Gallup began taking a daily pulse of consumer confidence by asking U.S. adults to rate the nation's economic conditions and whether they believe those conditions are getting better or worse. The combined responses represent Americans' net optimism about the economy and are reflected in Gallup's Economic Confidence Index.

In Gallup's six-plus years of reporting this measure daily, the index score has never been positive. Just before Lehman Brothers filed for Chapter 11 bankruptcy protection on Sept. 15, 2008, the index sat at -39. A month later, it had tumbled to -65 and eventually averaged out at -48 for the year. Since that time, the index has fluctuated, improving to averages of -35 in 2009 and -28 in 2010 before falling to -37 in 2011 and then rebounding to -21 in 2012.

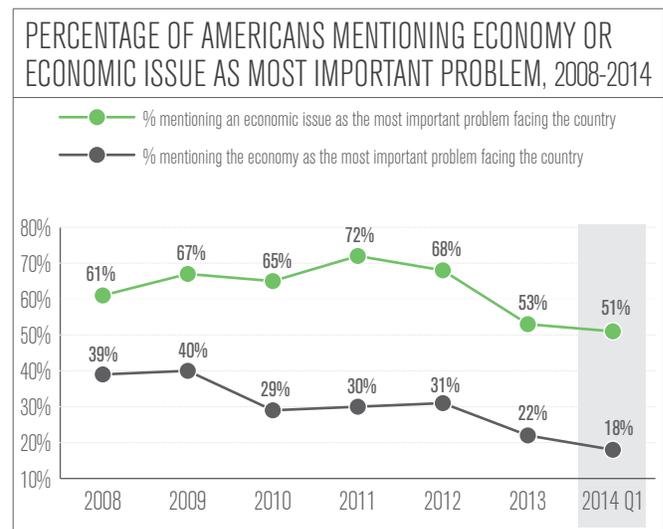
The index continued to improve to an average of -16 in 2013, including two high points of -7 in May and -8 in June — the two best monthly averages Gallup has recorded since it began tracking economic confidence daily. Political tensions and the partial government shutdown kept the index from sustaining its momentum in the second half of the year; nonetheless, Americans were more confident in the economy in 2013 than they had been in at least six years. And they maintained that confidence going into the first quarter of 2014. The index for January through March of this year held steady at an average of -16.

Gallup believes that much of the shift in consumers' attitudes toward the economy in 2013 was related to improved stock and home prices and improved job reports. Although the Economic Confidence Index has not reached positive territory, it could do so in 2014 if these areas show additional progress.



Gallup also found that the percentage of U.S. adults citing the economy as the most important problem facing the country declined significantly, from 31% in 2012 to 22% in 2013. And, overall, fewer Americans mentioned economic issues such as the federal budget deficit, unemployment, and a lack of money as the most important problem in 2013. The government in general and healthcare were more top-of-mind for them last year.

The first quarter of 2014 showed a continued decline in the percentages of Americans naming the economy or an economic issue as the most important problem facing the country. However, as the memory of the October 2013 government shutdown faded, jobs and the economy regained their prominence as the top concerns in Gallup's ongoing poll.



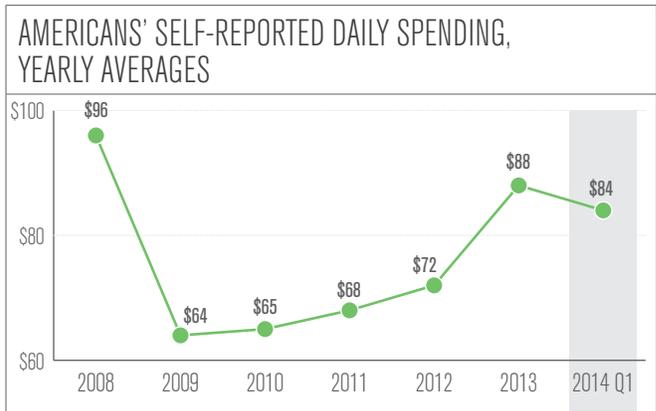
SPENDING CLOSER TO PRE-RECESSION LEVELS

In January 2008, Gallup also began polling U.S. consumers to determine how much they spent the prior day, aside from normal household bills and major durables such as homes or cars. These data are used to provide an indicator of consumers' discretionary spending.

During the first three quarters of 2008, consumer spending was at its highest, reaching a daily peak of \$114 in May 2008. Self-reported spending dropped moderately in the fourth quarter of 2008, following Lehman Brothers' bankruptcy, and then dramatically in the first quarter of 2009. But, after remaining low for several years, spending began to rise at the end of 2012 and continued to trend generally upward throughout 2013.

In December 2013, consumers' daily spending averaged \$96, the highest monthly average recorded since September 2008 and the highest average for any December in the six-plus years that Gallup has tracked daily spending. Of course, spending in December tends to be highest because of holiday shopping; however, for 2013 overall, daily consumer spending averaged \$88 — a significant jump from the average of \$72 recorded in 2012.

After the holiday spending surge, daily spending dropped to an average of \$78 in January 2014, and then rebounded to an average of \$87 in February and March. While consumer spending remains relatively high, this marks the first time since the recession ended that monthly averages for daily spending did not increase at least slightly from February to March. Spending in March was also no higher than it was one year ago, when it averaged \$89. Although current spending is inching closer to pre-recession levels, lackluster retail sales in the first quarter of 2014 could signal another year of slow-moving growth.

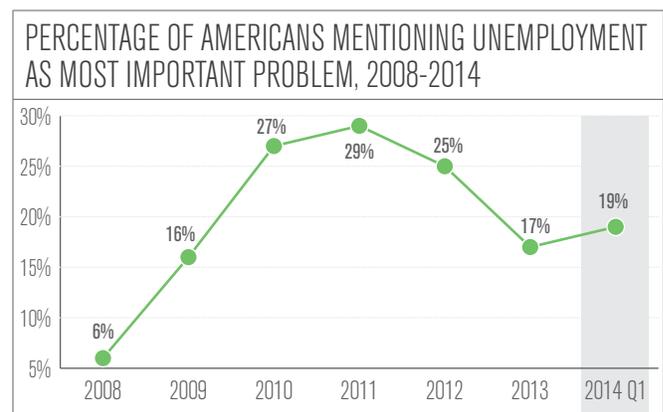


JOB FEARS PERSIST

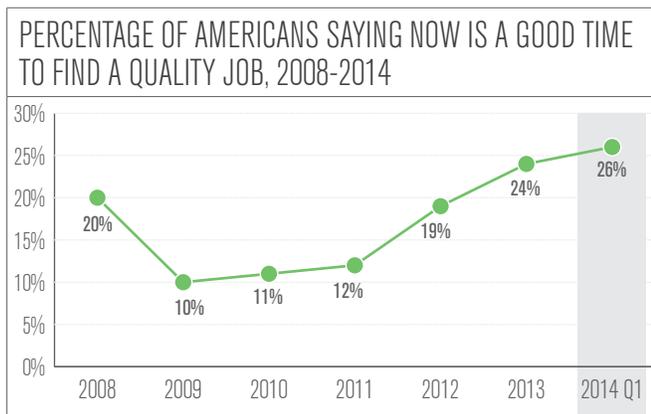
Consumer spending is increasing but is not yet on par with pre-recession levels. Gallup believes that consumers' reluctance to spend more money may be — at least in part — because of the current job market. Although the unemployment rate is improving, the devastating job losses that occurred during the recession seem to have left a lasting impression on many people.

In 2008, just 6% of Americans named “unemployment” as the nation's most important problem; by 2011, that percentage had jumped to 29%. In 2013, 17% mentioned unemployment — better than measurements from the previous three years, but still much higher than before the economic collapse.

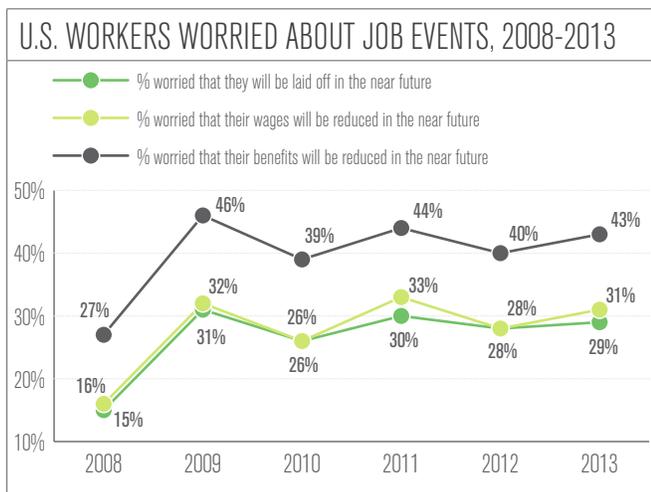
And during the first quarter of 2014, more Americans again began to cite unemployment as the top issue facing the country. The government and politicians had topped the list since the shutdown, but with the passing of the federal budget and continuously weak job reports, it is likely that Americans' focus has shifted back to the job market.



Gallup has also found that more Americans believe that now is a good time to find a quality job than at any other point in the previous six years. However, as of the first quarter of 2014, just 26% of U.S. adults were of that opinion, which suggests that the majority still do not believe that better job opportunities are available for themselves and other U.S. workers. The most positive levels Gallup has recorded on this measure since 2001 were in January 2007, when 48% said it was a good time and 47% said a bad time to find a good job.



And although consumers' confidence in the economy has been improving, people seem to feel differently about their own financial stability. In August 2013, Gallup asked U.S. workers if they had concerns about job security or reductions in wages and benefits. The percentages of workers saying they were worried about being laid off or having their benefits or pay reduced were nearly as high as they were in 2009, and nearly double the levels seen in 2008.



Ultimately, consumers will need to see steady, long-term job growth as well as better job opportunities and bigger paychecks to really energize their spending. This is especially true of underemployed Americans, a population that Gallup defines as those who are either unemployed or employed part time but wanting to work full time. In comparison, Gallup defines the employed population as those who are either employed full time or employed part time and not wanting to work full time.

In January 2014, Gallup measured the U.S. underemployment rate at 18.6%. Further analysis revealed that underemployed consumers spent a daily average of \$63 that month, compared with employed consumers who spent a daily average of \$94 — a 33% difference. In January 2010, Gallup conducted a similar analysis and found a 36% difference in spending between the underemployed and unemployed. At that time, underemployed Americans were spending an average of \$48 per day, and employed Americans were spending an average of \$75. While those numbers have increased in the last four years, they continue to reflect a stark contrast in spending attitudes between the underemployed and employed. And that difference may potentially be costing the U.S. economy hundreds of millions of dollars as the underemployment rate remains high. The key to speeding up this slow economic recovery may well be in getting more people back to full-time employment. **G**



WHY CUSTOMER ENGAGEMENT MATTERS

Gallup's daily tracking of the U.S. economy points to significant, albeit slow, progress in the years since the Great Recession officially ended. Consumers today have more confidence in the economy than they've had in the last six years, and they are also more relaxed with their money, inching closer to their pre-recession spending levels. Yet, they remain cautious, carrying with them many of the hard-learned lessons from the recession as they decide how to spend — or not spend — their paychecks.

When American consumers do spend, they are vigilant in making sure they get the best value for their hard-earned money. They research, compare, seek out recommendations, ask questions, and carefully consider their options. Buying just about anything, whether it's a \$20 shirt or a \$20,000 car, is more of an emotional act for them than ever before. They expect businesses to earn their dollars; they won't just hand them over.

It's not that consumers aren't spending money, it's just that they are more inclined to only spend it with the businesses they feel good about. And this mindset isn't likely to disappear, even if spending continues to increase — even if it returns to pre-recession levels. Consumers will simply give more money to the businesses they feel emotionally connected to and continue to ignore, or even oppose, those that provide them no value.

Americans' attitudes toward their money have changed in recent years. As a result, businesses have had to work harder to develop and retain a profitable customer base. Often, they believe that their bottom line is suffering because customers aren't buying like they used to. They try to attract customers with aggressive advertising campaigns, mega sales, and the latest technology. And, to a certain extent, those tactics may initially work to get people through the physical or virtual door, but they do not create the types of meaningful connections that *engage* customers. Customer engagement — which Gallup describes as a customer's emotional or psychological attachment to a brand, product, or company — is the definitive predictor of business growth.

MEASURING EMOTION

Gallup's unique customer engagement approach is based on the emerging science of behavioral economics, which theorizes that the vast majority of customer loyalty and buying decisions hinge on emotional rather than rational factors. While the prevailing classical economics mindset puts reason at the center of people's fiscal actions, behavioral economists believe that rational considerations actually account for less than one-third of human decisions and behaviors. Metaphorically speaking, this means that the majority of a customer's buying decisions are made from the heart rather than from the head.

For customers, feelings are fact. And any metric that does not account for this aspect of human nature is fundamentally flawed. Gallup's customer engagement instrument is a concise metric comprising actionable question items with proven links to customer behavior. The three items that produce the Gallup Customer Engagement Score (Gallup CES) are:

1. *Company* always delivers on what they promise.
2. I feel proud to be a *Company* customer.
3. *Company* is the perfect company for people like me.

Gallup categorizes customers into three distinct groups: fully engaged, indifferent, and actively disengaged. Fully engaged customers have a strong emotional attachment to a company. They act as brand ambassadors for this company, rallying on its behalf to friends, family, and coworkers, and going out of their way to purchase its products or services. Some might even say that they love that company. Actively

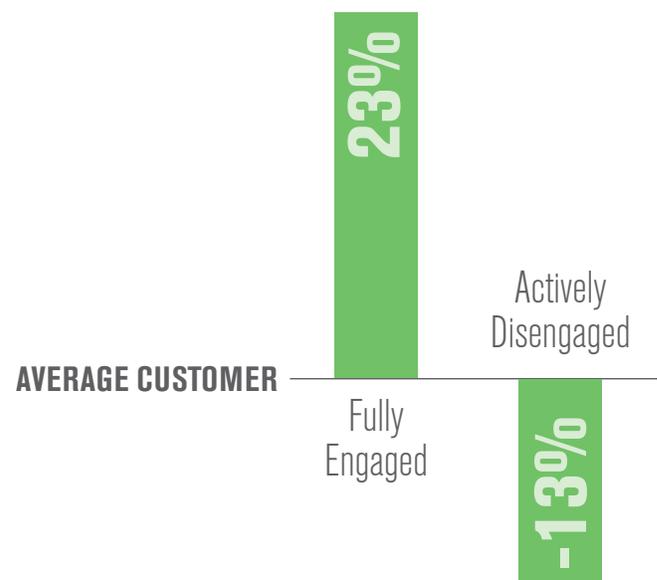
disengaged customers, however, have negative, even antagonistic, feelings toward a company — some might say that they hate that company. They spread negative word of mouth and cost companies money. Indifferent customers have no strong feelings toward a company — they neither love nor hate it. They have no particular allegiance and may switch to a different company or brand if the opportunity presents itself.

LINKING CUSTOMER ENGAGEMENT TO CRITICAL BUSINESS OUTCOMES

Gallup's analysis has found that fully engaged customers are more loyal and profitable than average customers — in good economic times and in bad. Across a variety of industries and target audiences (including both business-to-consumer and business-to-business), Gallup's research has consistently shown a powerful link between customer engagement and key business outcomes. Our data reveal that a customer who is fully engaged represents an average 23% *premium* in terms of share of wallet, profitability, revenue, and relationship growth compared with the average customer. In stark contrast, an actively disengaged customer represents a 13% *discount* in those same measures. Simply put, when customers believe they are getting more out of a business, they give more to it.

CUSTOMER ENGAGEMENT DRIVES FINANCIAL PERFORMANCE

PERCENTAGES REFLECT DIFFERENCES IN CRITICAL BUSINESS OUTCOMES



In the retail banking industry, for example, Gallup research has revealed that customers who are fully engaged bring 37% more annual revenue to their primary bank than customers who are actively disengaged. Fully engaged banking customers also have more products with their bank, from checking and savings accounts to mortgages and auto loans. Plus, they have higher deposit balances in their accounts than less engaged customers with the same products.

In the consumer electronics industry, Gallup has found that fully engaged shoppers make 44% more visits per year to their preferred retailer than actively disengaged shoppers. And when they do visit their preferred electronics retailer, these fully engaged shoppers purchase more items than they originally intended to. On average, they spend \$373 per shopping trip, while actively disengaged customers spend \$289 per trip.

Gallup has found similar results in other industries, including the restaurant, hospitality, and insurance industries:

RESTAURANT — CASUAL DINING

Fully engaged customers make 56% more visits per month than actively disengaged customers.

RESTAURANT — FAST FOOD

Fully engaged customers make 28% more visits per month than actively disengaged customers.

HOSPITALITY

Fully engaged hotel guests spend 46% more per year than actively disengaged guests.

INSURANCE

Fully engaged policy owners purchase 22% more types of insurance products than actively disengaged policy owners.

When businesses can provide the type of meaningful experience their customers want, they realize greater rewards in terms of loyalty and profits. Although it can be difficult for businesses to connect with their customers on

an emotional level, many of the companies that Gallup has worked with have proven that it can be done — even in this new normal. In fact, a greater percentage of customers in Gallup's database were fully engaged in 2013 than at any other point in the last five years.

TAKING CUSTOMER ENGAGEMENT TO THE NEXT LEVEL

It's not enough to simply measure customer engagement. After a baseline reading of the engagement of a company's customers, Gallup provides analysis, customized tools, and strategies to help leaders take the next steps to achieve the outcomes that are important to their business. In addition to coaching executives in the boardroom, we also help managers activate at the front line by providing them with important insights about their performance and their local customers.

Gallup works with clients to put customer engagement at the center of their growth strategy, account for the rational and emotional aspects of their customer relationships, focus on sustainable change management tactics, and blend customer and employee strategies for optimal performance. After all, measurement without targeted action is useless. By consistently tracking customer engagement results from year to year and developing the right data-based interventions, companies will ensure that they are maximizing their customer relationships and reaping the benefits of higher sales, growth, and profitability. 

THE THREE TYPES OF CUSTOMERS

FULLY ENGAGED CUSTOMERS are emotionally attached and rationally loyal. They'll go out of their way to locate a favored product or service, and they won't accept substitutes. True brand ambassadors, they are a company's most valuable and profitable customers.

INDIFFERENT CUSTOMERS are emotionally and rationally neutral. They have a take-it-or-leave-it attitude toward a company's product or service.

ACTIVELY DISENGAGED CUSTOMERS are emotionally detached from a company and its products or services. They will readily switch brands. If switching is difficult or impossible, they may become virulently antagonistic toward the company. Either way, they are always eager to tell others exactly how they feel.

PROMISES MADE, PROMISES KEPT: **THE POWER OF BRAND ALIGNMENT**



Advertising is big business in the United States. According to Kantar Media, U.S. companies spent a combined \$140 billion on promotions and publicity in 2013 alone.

That hefty sum buys a lot of messaging, from 60-second television spots and half-page newspaper ads to digital billboards and mobile marketing. Today's consumers are constantly bombarded by advertisements from companies claiming their product is better than the rest. But in the post-recession world, it takes a lot more than a catchy tagline and slick commercial to engage consumers.

ALIGNMENT — NOT ADVERTISING — BRINGS GREATER REWARDS

Following the financial crisis of 2007 to 2009, consumers began to lose trust in companies, especially in big businesses and the executives who run them. And that trust has been slow to come back. In June 2013, for example, a Gallup poll revealed that 22% of Americans had “a great deal” or “quite a lot” of confidence in big businesses.

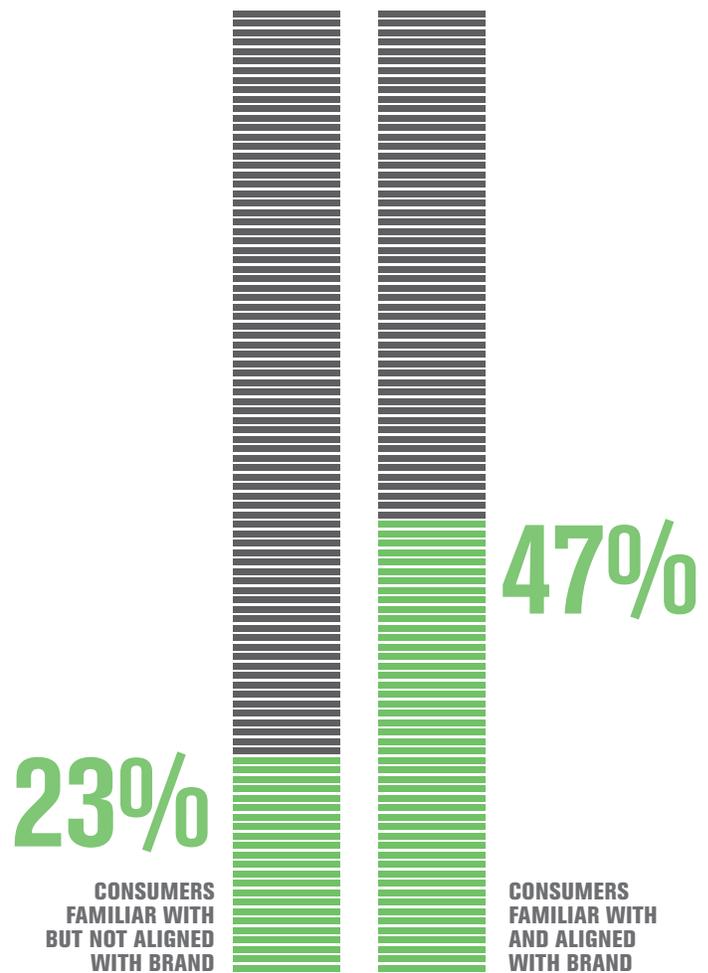
Companies often believe that they can change consumers’ perceptions of their brand by embarking on big advertising and marketing campaigns. And they use updated logos and celebrity spokespeople to signify changes in their attitudes and behaviors. But these tactics simply promote a message; they do not deliver what consumers really value — an actively aligned brand promise. Consumers want to walk into a store, go online, or contact a customer care center and have the experience they were told they would have. They want companies to back up those taglines and follow through on their guarantees. When companies can do this, consumers come to align themselves with those brands and ultimately begin to trust them.

Brand alignment is powerful and meaningful in a way that traditional methods of attracting and retaining customers — like marketing and advertising — are not. In fact, Gallup research reveals that when consumers are aligned with a brand, they give it twice as much share of wallet as those who are not aligned with that same brand. In the new normal, it can be difficult for consumers to fully trust in a brand and come to align themselves with it, but when they do, they reward it generously.

BRAND PROMISES ARE HIT AND MISS

Brand alignment is worth a lot — but to get there, consumers must first understand what a company stands for. Ideally, they should be able to verbalize the principal characteristics of an organization’s brand promise. And Gallup finds that while some companies have been incredibly successful at positioning themselves with consumers, others have largely missed the mark.

BRAND ALIGNMENT PREDICTS SHARE OF WALLET



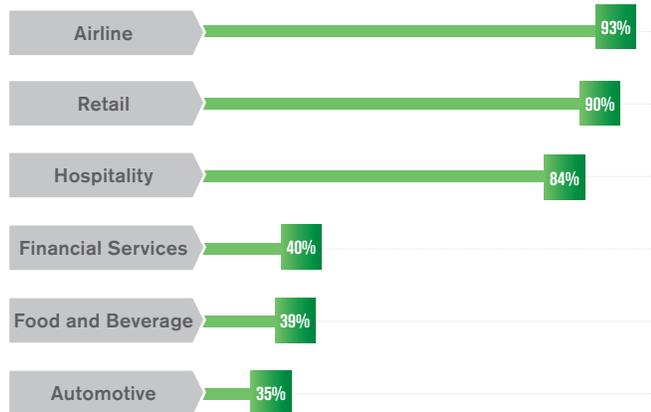
In one study, Gallup asked more than 6,600 consumers — who were familiar with but not necessarily customers of six major American brands — to answer the following question: “How would you describe what Brand X represents, and what makes it different from its competitors?” To determine the degree of alignment, their responses were then compared with a list of core identity elements for each brand.

Across the six brands — representing the airline, hospitality, food and beverage, financial services, automotive, and retail industries — only the major retailer and the airline had alignment at or above 90% among consumers who were already familiar with their brands. For the other brands, however, the degree of alignment was lower. The automotive brand, for example, exhibited 35% alignment

among consumers familiar with it. This implies that some companies have brand promises that may be too weak or vague to effectively connect with consumers.

ALIGNMENT ACROSS SIX MAJOR BRANDS

% CONSUMERS FAMILIAR WITH AND ALIGNED WITH BRAND

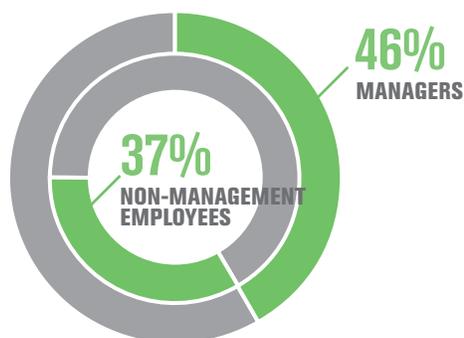


FEW EMPLOYEES CAN COMMUNICATE THEIR COMPANY'S BRAND PROMISE

A strong brand promise is a differentiator, but it can quickly become meaningless to consumers if it is not backed up. Here, companies must rely on their employees to understand and deliver on the brand promise and bring it to life for their customers. But most companies fail to equip their employees with the necessary knowledge and resources to be effective brand ambassadors. According to Gallup research, less than half of managers (46%) and slightly more than a third of non-management employees (37%) strongly agree with the statement, “I know what my company stands for and what makes our brand(s) different from our competitors.”

BRAND ALIGNMENT BY JOB ROLE

% WHO STRONGLY AGREE THAT THEY KNOW WHAT THEIR COMPANY STANDS FOR AND WHAT MAKES THEIR BRAND DIFFERENT



Companies exhaust millions of dollars developing and communicating their brand promises to consumers, but these findings suggest that many are overlooking the very people responsible for carrying out those promises. And that is a big misstep — one with severe implications for a company’s brand. If employees do not understand their company’s identity and what sets it apart, it is unlikely that customers will either. If employees do not have a clear idea of their company’s brand promise, it is unlikely they will be able to deliver it to customers.

GETTING TO ALIGNMENT

Consumers approach most brands — and their promises — with a healthy dose of skepticism. But Gallup finds that companies that “walk the talk” have a significant advantage in the competition for consumer trust. Consumers align themselves with a company when they can recognize its brand promise and trust in its ability to keep that promise. Therefore, to create brand alignment, companies must:

- Develop a strong brand promise.** Almost every company has a brand promise that tells consumers what they can expect from their interactions with that company. However, Gallup finds that not every company has done an effective job of creating and communicating a *strong* brand promise. A strong brand promise lets consumers know what a company stands for, what makes it unique, and why it should be chosen over its competitors. A brand promise is not a mission statement, but a brief summary of a company’s most distinguishing characteristics that consumers find compelling and credible.
- Build the brand internally.** Companies rely on their employees to represent their brands every day; they are the ones executing on the brand promise. Therefore, they should be devoting as much time, money, and energy to building their brands internally as they do externally. Television commercials and mobile ads are fleeting. If consumers notice them at all, they will most likely forget about them 10 seconds later. Consumers are much more likely

to remember — and return to — a brand based on their experience with it. And it is employees, not advertising, that define those experiences. All employees, whether they are on the front line or behind the scenes, are key to a company's ability to deliver on its brand promise. They must understand the core elements of brand identity and promise, and accurately and readily verbalize it.

A brand is more than a logo or tagline. And while advertising and marketing initiatives are important, they must be in line with how an organization actually delivers its products and services. Even the most creative and innovative brand strategy is bound to fail if the company cannot execute on it. Brand alignment builds trust, and in the new normal, that is a necessary precursor to any company's long-term success. **G**

10 WAYS TO BOOST BRAND POWER

Gallup's research shows that few employees are aligned with or empowered to deliver the core elements of their company's brand promise. But there are actions executives can take to help their employees become effective brand ambassadors.

1. Acknowledge that all employees play a key role in bringing the brand to life. Successful branding is not just a marketing or sales function; it is an essential activity for human resources, management, and leadership.
2. Audit your internal communications to ensure that they are consistent with your brand identity and promise. Invest in making employees aware of your brand promise, and empower them to act on it.
3. Articulate what your brand represents and what you promise to your customers. Inject the core elements of your identity into the workplace constantly and consistently across time, locations, and channels. Use these elements to define not only how you treat your customers, but also how you manage, coach, and treat your employees.
4. Deploy simple processes to ensure that you highlight and discuss the core elements of your company's brand identity every day. Use minute meetings, lineups, or staff gatherings to provide specific examples of how to deliver the brand promise.
5. Use simple tools such as wallet cards as ready references to the brand, and require employees to memorize the key brand elements.
6. Regularly assess how well your employees know and understand your brand promise. All employees — especially those in customer-facing roles — should believe in and feel they have the resources and permission to deliver your brand promise. Provide additional support in areas that fall short.
7. Ensure that new employees understand your brand identity and promise. All new employees should be able to articulate what your company stands for and what makes you different within their first 30 days of employment, and your managers should reinforce this message every day.
8. Make sure that every employee understands how his or her job affects the customer experience. This is particularly important for roles that are not customer-facing. Constantly connect the dots between what employees are paid to do and what your organization stands for.
9. Recognize employees who deliver your brand promise to your customers. Recognition is an important psychological need. Employees who know that they will receive recognition for acting on the brand promise will have a strong incentive to do so.
10. Regularly solicit opinions from your employees on new and better ways to deliver your brand promise. Convene town hall meetings that allow employees to share their ideas and receive feedback. Demonstrating an authentic commitment to alignment is the best way to embed it in your company's culture.

THE MYTH OF SOCIAL MEDIA

A MAJORITY OF CONSUMERS SAY THEY ARE NOT INFLUENCED BY FACEBOOK, TWITTER

The statistics surrounding social media are dizzying. Consider that in just one day:

- Facebook users post 4.75 billion items of content
- Twitter users send 400 million tweets
- Instagram users “like” 1.2 billion photos
- YouTube users watch 4 billion videos

Millions of consumers across all demographic groups are spending considerable time on social media sites. A Gallup survey reveals that 72% of U.S. adults use these channels, with the majority saying they use them several times a day.

Naturally, companies want to be in the same social media space as these consumers. And today it is fairly common to find at least one full-time employee — if not a whole team — dedicated to growing a brand’s visibility through its social media platforms. According to BIA/Kelsey, U.S. companies spent a combined \$5.1 billion on social media advertising in 2013. By 2018, that number is projected to grow to nearly \$15 billion.

But most consumers aren’t visiting social media sites to engage with brands — they are there to interact with people they know. According to Gallup research, the vast majority of consumers (94%) who use Facebook, Twitter, and other social networking channels do so to connect with family and friends. They are far less interested in learning about companies and/or their products, which implies that many companies have social media strategies in place that may be largely misdirected.

REASONS FOR SOCIAL MEDIA USE

To connect with friends and family



To follow trends/To find product reviews and information



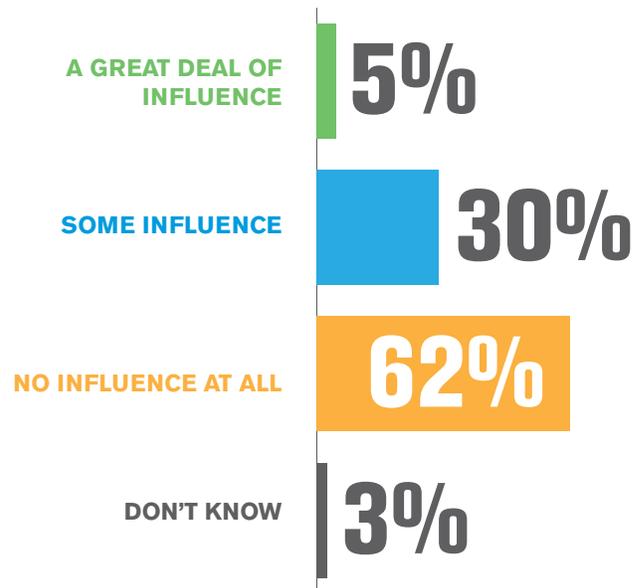
To comment on what's hot or new/To write reviews of products



SOCIAL MEDIA: NOT A GAME CHANGER

Social media are not the powerful and persuasive marketing force many companies hoped they would be. When Gallup asked more than 18,000 consumers about the influence of social media on their buying decisions, 62% said they had no influence at all. Even among millennials (those born after 1980), whom companies often think of as the core social media audience, 48% said these sites were not a factor in their decision-making.

INFLUENCE OF SOCIAL MEDIA ON PURCHASING DECISIONS



And while many companies correlate the number of fans and followers with their social media success, Gallup also finds that these metrics can be misleading. Of the consumers who reported “liking” or following a company, 34% still said that social media had no influence on their purchasing behavior, while 53% said they had only some influence.

When compared with more traditional forms of social networking, social media initiatives may actually be the least effective method for influencing consumers’ buying

decisions. Gallup research shows that consumers are much more likely to turn to friends, family members, and experts when seeking advice about companies, brands, products, or services. Company-sponsored Facebook pages and Twitter feeds have almost no persuasive power.

CUSTOMER ENGAGEMENT DRIVES SOCIAL ENGAGEMENT

Companies often believe they can use social media to increase brand awareness and tap into a new customer base. But, as Gallup findings suggest, consumers are highly adept at tuning out brand-related Facebook and Twitter content. These channels do not motivate prospective customers to consider trying a brand or recommending a brand to others. Therefore, if companies want to acquire new customers, their best bet is to engage their existing customers and inspire them to advocate on their behalf. *Customer engagement* drives *social engagement* — the degree to which consumers will work for or against an organization within their social networks — not the other way around.

And any effort to engage customers must take place through both offline and online channels, as Gallup has consistently found that customer engagement is influenced in large part by how well a company aligns *all* of its touchpoints. Social media do not exist in a vacuum, and consumers rarely interact with companies through these channels alone. For example, Gallup's research on the financial services industry reveals that 79% of customers visit the branch lobby for transactions and other services, while 11% of customers follow their bank on Facebook and 5% follow their bank on Twitter. In the retail industry, Gallup research shows that 56% of shoppers base their purchasing decisions on in-store displays and that 7% base their decisions on social media content.

Social media entail just a fragment of a consumer's experience with a company. Customers are much more likely to be active listeners and participants in a brand's social media community when they have already made an emotional connection with that brand through other experiences. While responsiveness and service are

If companies want to acquire new customers, their best bet is to engage their existing customers and inspire them to advocate on their behalf.

incredibly important in social media departments, this type of initiative does not necessarily lend itself to the more personal, one-on-one connections that typically engage consumers. Those largely happen offline.

CHANGING THE CONVERSATION

The introduction of social media has often been referred to as a “phenomenon” — but, in reality, consumers have always talked about what they like and don't like. Social media just make it easier for them to have these discussions on a more public and widespread scale. Consumers are drawn to Facebook, Twitter, Yelp, Tumblr, and similar sites because they want to take part in the conversation and make connections. Yet, many companies continue to treat social media as a one-way communication vehicle and are largely focused on how they can use these sites to push their marketing agendas. These efforts are out of place in a channel that encourages transparency.

Consumers are more likely to engage with companies through social media when they believe those companies' intentions are genuine. They look for real people and real communities. Therefore, companies that want to become part of the conversation must shift their social media initiatives to be more authentic, responsive, and compelling.

- 1. Authentic.** Social media sites are highly personal and conversational. And, as Gallup finds, consumers who use these sites do not want to hear sales pitches. They are more likely to listen and respond to companies that seem genuine and personable. They want to interact with a human, not a brand. Companies should back away from the hard sell and focus on creating more of an open dialogue with consumers.
- 2. Responsive.** The social media world is 24/7, and consumers expect timely responses — even on nights and weekends. Companies must be available to answer questions and reply to complaints and criticisms. Ignoring negative feedback can do even more damage to a brand's reputation. Instead, companies need to actively listen to what their customers are saying and respond accordingly. If mistakes were made, they must own up to them and take responsibility.
- 3. Compelling.** Content is everywhere, and consumers have the ability to pick and choose what they like. Companies have to create compelling, interesting content that appeals to busy, picky social media users. This content should be original to the company and not related to sales or marketing. Consumers need a reason to visit and interact with a company's social media site and to keep coming back to it.

The potential of social media is still being debated. Companies are going to have to experiment to figure out what works best with their customers. The process may involve a lot of trial and error, but there is potential in social media that is not directly related to sales revenue. Companies have an opportunity to build communities with their customers in ways they could not before. But to get there, they must first engage their customers through other channels. Regardless of the hype surrounding social media, consumers are still most affected by their offline experiences. **G**

**The potential of social media is still being debated.
Companies are going to have to experiment to
figure out what works best with their customers.**



INDUSTRY SPOTLIGHT: **BANKING**

BANKING CUSTOMERS WANT
CONTROL, CONSISTENCY, CHOICE

In the 1970s, Gallup began polling American consumers to determine their confidence in a wide range of industries and institutions. In 1979, when Gallup first asked Americans to rate their level of confidence in banks, 60% said they had a “great deal” or “quite a lot” of confidence. In fact, banks were second only to the church in terms of Americans’ confidence levels.

Fast forward to 2013: Just 26% of consumers said they had a great deal or quite a lot of confidence in banks. Over the course of a little more than three decades, Americans’ confidence in banks collapsed by 34 percentage points.

Confidence in banks first began to decline following the recession of the early 1980s. However, it still remained near 50%. The savings and loan crisis of the late 1980s and early 1990s caused confidence to weaken drastically; by October 1991, it had fallen to 29%. But, by 2004, Americans’ confidence in banks had rebounded to 53%, thanks to easy borrowing and a lending boom. After a few steady years, the Great Recession hit, and confidence began to plummet again — hitting an all-time low of 21% in 2012.

CUSTOMERS TODAY ARE WARY, AND THEIR CAUTION IS PREVENTING BANKS FROM ACHIEVING REAL, SUSTAINABLE GROWTH.

Americans' level of confidence in banks, while slightly better in 2013 than in 2012, is still half of what it was prior to the recession. And although consumers are again taking on credit and spending more money, the majority continue to resist the idea that banks can be trusted. The debit card fee debacle, security concerns, frustrating lending practices, and poor customer service have all contributed to a general belief that banks are only in it for themselves.

Customers today are wary, and their caution is preventing banks from achieving real, sustainable growth. In the years since the recession officially ended, most banks have largely realized profits through short-term fixes like greater efficiencies and job cuts. Sales and revenue growth have been harder to come by without the support of consumers.

LESS THAN HALF OF BANKING CUSTOMERS ARE FULLY ENGAGED

While the banking industry overall continues to do damage control, at a local level, banks can take comfort in the fact that customers feel better about the relationship they have with *their* bank. Gallup's 2013 Retail Banking survey of more than 11,800 U.S. banking customers revealed that slightly less than half (48%) have confidence in their primary bank and that 43% are fully engaged with their bank. These findings suggest that while customers may not trust the banking industry as a whole, they are much more likely to trust their own bank — perhaps because they are more apt to “know” their bank and the people who work there.

However, customer confidence and engagement still sit below 50%. Banks, while performing better locally, have work to do with more than half of their customer base. Gallup's extensive banking research shows that the most effective way for banks to improve their standing with customers is through exceptional customer service — the strongest driver of engagement. A 2012 Gallup study of more than 9,000 banking customers found that those who felt they had received exceptional service were 29% more likely to be fully engaged.

And when banking customers are fully engaged, they bring considerable benefits to their bank. Gallup analysis has

revealed that, on average, customers who are fully engaged bring 37% in additional revenue per year to their primary bank compared with those who are actively disengaged. This additional revenue comes from several sources; fully engaged customers have 10% greater wallet share in deposit balances with their primary bank and 14% greater wallet share in investments.

Across a broad array of product categories in four general buckets — deposit accounts, deposit-related “add-ons,” credit products, and fee-based or advisory products (investments, insurance, financial advice) — fully engaged customers average 1.14 additional product categories with their primary bank compared with actively disengaged customers. These differences are most pronounced in the more discretionary — and potentially lucrative — categories. For example, fully engaged customers have more than twice the number of investment, insurance, and advisory products with their primary bank than do their actively disengaged counterparts.

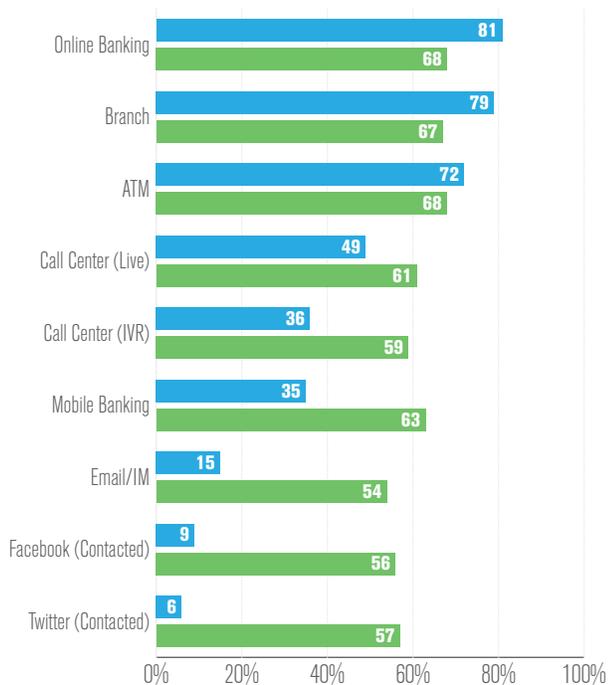
EVERY CHANNEL MATTERS WHEN ENGAGING CUSTOMERS

The 2013 Retail Banking survey found that customers were most likely to use online banking, branch visits, and ATMs to conduct their financial business. These three channels also have the highest customer satisfaction rates. The findings make sense: Most banking needs can be satisfied by the triad of branches, ATMs, and online banking. In fact, nearly half (46%) of the customers surveyed said that they had used all three of these channels within the past six months.

BANKING CHANNEL USAGE/SATISFACTION

% HAVE USED WITHIN PAST SIX MONTHS

% "EXTREMELY SATISFIED" WITH CHANNEL



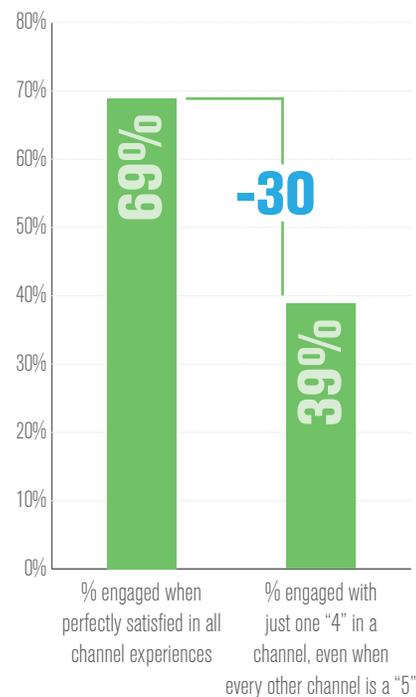
Banks often look at channel usage trends as a way to determine which channel, or combination of channels, they should be focusing on to best maximize customer satisfaction and engagement. They want to know which channels their engaged customers use most and how that coveted group moves from channel to channel so they can try to replicate those behaviors with their less engaged customers. But, in reality, it is nearly impossible to define one — or even a handful — of consistent usage patterns among banking customers. In a separate 2013 study of 3,100 banking customers, Gallup discovered that there were more than 750 different channel usage patterns in play. And the top three most commonly used touchpoint combinations were the same among fully engaged and actively disengaged customers.

No magic channel or combination of channels exists that engages customers more than others. Today's customers want to have multiple online and offline channels available to them to use however and whenever they choose. They demand the convenience of doing banking their way, whether it is in person, over the phone, through the

Internet, via email, or by using a mobile app. Now more than ever, customers want a banking experience that puts them in the driver's seat.

But as much as banking customers want the convenience of multiple channels, they want something else even more — consistency. They want an absolutely seamless experience across all of a bank's touchpoints. And when they do not get that type of experience, their engagement suffers. In the study of 3,100 banking customers, Gallup found that engagement dropped by 30 points when these customers gave anything less than a rating of "5" (on a 5-point scale, with "5" being the highest) to any specific banking channel, even if they gave every other channel a perfect score.

IMPACT OF CHANNEL SATISFACTION ON ENGAGEMENT



Despite their customers' expectations, banks are finding it increasingly difficult to manage — let alone improve — the multichannel experience. Instead of looking holistically at channel use, banks tend to approach each channel as a silo operating independently of the next. As a result, customers often receive fragmented information and inconsistent service. Ultimately, their engagement drops off, causing the bank's bottom line to falter. A great experience — through

every channel, every time — is key to gaining more fully engaged customers and increasing profits.

BRANCH INTERACTIONS PROVIDE “MOMENTS OF TRUTH”

Digital channels are important to banking customers, and Gallup predicts that customers will use them more in the future. But the branch is still a crucial component of most customers’ banking experience today and will continue to be so for years to come. According to Gallup analysis, banking customers are especially drawn to full-service, or “human,” channels such as the branch when they need to conduct complex and emotionally charged tasks like opening or closing an account, applying for a loan, seeking financial advice, or reporting a problem.

The branch allows customers to receive high-touch, personal service for these types of tasks. This channel enables customers to create emotional connections with their bank, and, as such, Gallup has found that the branch is the strongest driver of engagement. When branch users are “extremely satisfied” with their most recent visit, their probability of being fully engaged increases by 14%, compared with customers who do not use the branch, controlling for all of the other channel experiences that customers had with their bank.

Yet, the branch experience of today looks much different than it did even a few years ago, and banks tend to overlook the significance of just a single interaction. Customers no longer stop in to their local branch every week to deposit their paycheck or withdraw cash. Those types of transactions largely take place online or through an ATM. When customers do visit their branch, it is because they need one-on-one help with a more involved task. This shift in behavior has had significant consequences for banks and their employees. Tellers and bankers do not have the close relationships they once had with their customers. They see their customers less often, and their infrequent interactions typically involve some kind of high-stakes, high-emotion transaction. This scenario puts additional pressure on front-line employees to deliver great service. “Moments of truth” are fewer and farther between, and each one has more of an impact on customer engagement than the last.

DIGITAL CHANNELS BRING COST SAVINGS, RISK

Banking customers are increasingly being pushed to use digital channels, especially for routine transactions. In many aspects, this makes sense, as digital channels cost less to operate than other channels and banks are eager to reduce their overhead. Yet, Gallup has found that customers tend to experience more problems through digital channels, and when they do, their engagement suffers. Often, banks are anxious to show customers that they have the latest and greatest in technology, and they tend to over-promote and under-deliver on their digital channels. In turn, their customers end up disappointed with the technology and irritated with the bank for not delivering what it promised.

As Gallup has consistently found in banking studies, a lack of satisfaction with digital channels is more likely to drive a negative outcome than satisfaction is to drive a positive outcome. For example, when customers are extremely satisfied with their online banking experience, they are 7% more likely to be fully engaged than customers who do not use that channel. When customers have a less-than-satisfying experience, however, it is more costly, reducing their likelihood of being fully engaged by 14%.

Currently, most of the digital interactions that customers have with their bank take place through online banking. In the near future, though, as mobile banking becomes more commonplace, it will be essential for banks to offer their customers a suite of digital banking channels that interact seamlessly with each other as well as with any offline channels. While the effect of mobile banking on engagement today is minimal, it is likely to grow in the future as banks’ mobile offerings become more differentiated in terms of functionality, usability, and financial integration (e.g., payment systems and mobile wallets), and as more customers continue to adopt the technology. If banks want to realize cost savings through their digital channels, they will have to ensure that these channels are truly engaging their customers.

CUSTOMER-CENTRIC STRATEGIES ENCOURAGE ENGAGEMENT

Banks understandably choose to focus their time and resources on the channels that best drive customer engagement. But as more banking customers use more channels, banks will have to rethink their classic product- and channel-specific approach to business. Today's banking customers care about each channel they use, and more importantly, they care about the integration of those channels and the service they receive.

If banks want to gain customers' trust and confidence and increase their engagement, they must move away from channel-centric strategies and toward those that put customers in charge of their own experience. The following tactics can help banks get there:

- **Develop an integrated channel strategy.** When banks create singular strategies for specific products or channels, they end up creating silos. And that approach prevents their customers from having the seamless experience they want. An integrated channel strategy, however, can help banks deliver a great experience, every time. To develop this type of strategy, banks must have the ability to not only gather their channel data, but also understand how to mine it to break down any cross-channel barriers and create consistency.
- **Give customers the choice.** Although banks may be anxious to push customers to use digital channels for certain transactions, a recent Gallup analysis found that customers who did not have their choice of channels were less likely to be satisfied with their channel experience and less likely to be engaged with their bank overall. For example, when customers were unable to open or close an account using their preferred channel, their satisfaction with the alternative channel decreased by 15 points and their engagement with their bank decreased by seven points. As customer engagement decreases, banks risk greater attrition, reduced deposits, and lower profitability — thereby negating any initial efforts to reduce costs.
- **Provide customers incentive to use digital channels.** Although banks must give customers the option to use their preferred channels, they can encourage them to use more cost-effective digital channels through certain, preferably positive incentives. Gallup research has discovered that while positive incentives can motivate customers to change, negative incentives can drive significant attrition. For example, more than half of banking customers surveyed by Gallup would be willing to switch to low-cost digital channels if they were given positive fee-based incentives, such as increasing interest rates on current deposits by 0.25% or decreasing interest rates on current loans by 0.25%.

On the other hand, implementing fees to steer customers toward channels that they don't prefer is likely to have negative results: Half of all banking customers say they would look for another bank if fees were imposed, and more than one-third would look for another bank if theirs imposed procedural restrictions like shortening operating hours for branches or call centers.

- **Improve digital touchpoints.** In the 2012 banking study, 43% of customers indicated that they would have preferred to use self-service channels for transactions that were completed in a branch. These customers said they used the branch instead because they receive better service or information through that channel. Therefore, banks should take steps to make customers' online experience more closely resemble their offline experience. They must look for ways to create emotional connections through technology by ensuring the user experience is effortless and maybe even fun. As part of this, banks should stress to their technology staff that even though they are not customer-facing, their work can create emotional energy with customers.
- **Invest in front-line talent.** Front-line employees are critical in engaging customers in the branch and call center. As banks push customers toward digital channels for their routine transactions, they must

ensure that they are putting people in the branch and call center that have the talent to address customers' more complex and emotional needs. Without the right talent in these critical positions, banks will not achieve any of the significant cost benefits they believed they would by pushing customers toward digital channels. They will most likely see a substantial decline in customer engagement instead.

THE CHALLENGE AND OPPORTUNITY AHEAD

For banks to be successful in the new normal, they have to gain back their customers' confidence and increase their engagement. And that means doing more of what works for the customer and less of what works for the bank. They must stop fighting their customers' wants and needs, and provide

the type of seamless, multichannel experience they desire. Gallup research shows that 69% of banking customers who have a perfect experience across multiple channels are fully engaged, whereas 53% who have a perfect experience with just one channel viewed in isolation are fully engaged — a 16-point difference.

Gallup predicts that in the near future the lines between the multichannel and omnichannel experience will become increasingly blurred. For example, customers will begin using ATMs with video-teller capabilities or self-service screens in the teller line at their branch, and they will conduct more of their business with employees using their smartphones or tablets. As a result, banks will have to be ready to deliver exceptional customer service anywhere and at any time — offline, online, or somewhere in between. 



INDUSTRY SPOTLIGHT: **RETAIL**

SERVICE KEEPS BRICK-AND-MORTAR RETAILERS COMPETITIVE

A few weeks before the 2013 Thanksgiving holiday, Gallup polled U.S. consumers to find out where they planned to do most of their holiday shopping. The results revealed that 53% of Americans were very or somewhat likely to do their shopping online — the highest percentage since Gallup first asked the question in 1998. At the same time, the percentages of Americans shopping for gifts in department stores and discount stores were found to be declining.

And indeed, consumers seemed to follow through on their intentions during the two biggest holiday shopping days of the season: Black Friday and Cyber Monday. According to IBM Digital Analytics Benchmark, Cyber Monday sales increased 20.6% from 2012. Consumers also spent 31.5% more on Cyber Monday than they did on Black Friday, even though the average Cyber Monday order was 5% less than the average Black Friday order. Comparatively, overall Black Friday foot traffic and sales were down for the year.

Consumers are doing more of their browsing and shopping online, and for many brick-and-mortar retailers, this shift in behavior has been difficult to navigate. Although most brick-and-mortar retailers also have an online presence, they continue to feel pressure to increase foot traffic. And they respond to this pressure by dropping their prices, increasing their advertising, and overhauling their store layouts. But in their panic to compete, brick-and-mortar retailers often overlook what really matters to their customers — service.

THREAT FROM SHOWROOMING OVERSTATED

Retail has always been a highly competitive industry, and the proliferation of the online economy has only heightened that competition. Consumers can easily compare brands and prices — not just from the rival store a few blocks away, but from all over the world. And today's consumers are more invested than ever in making sure they get the best value for their money. As such, some are apt to engage in a practice known as “showrooming,” where customers examine merchandise in a retail store with the intention of purchasing the product for less through a competitor's website.

Showrooming has been a growing concern for some brick-and-mortar retailers; they believe it's slowly chipping away at their profits. Amazon, for example, grew at an astounding rate of 31.5% annually from 2002 to 2012. In the third quarter of 2013 alone, revenue for the online retailer jumped 24% over the same quarter from the previous year. Brick-and-mortar retail growth doesn't come close to matching these types of percentages.

But Gallup has found that the threat of showrooming has been greatly exaggerated. In a 2013 poll of U.S. consumers, 40% claimed to have ever showroomed in the past, and just 6% said they had showroomed during their most recent trip to a retail store. The vast majority of shoppers either made their purchase in the retail store (77%) or intended to return to the same retailer to make the purchase (6%). An additional 7% said they no longer intended to purchase the item.

PRICE DOESN'T ENGAGE CUSTOMERS

Many brick-and-mortar retailers see price as the bottom-line differentiator between themselves and their online rivals, and they try to compete by cutting their prices. But this tactic assumes that price is the only factor customers consider when making a purchase. Gallup research has shown that customers only shop based on price when price is the only thing that separates competing offerings. In other words, customers shop based on price when there is no emotional connection to a particular retailer — when they are not engaged.

A 2011 Gallup study found that more than 90% of in-store consumer electronics shoppers in the U.S. believe that all electronics retailers are the same, and that no single retailer is the best. For these retailers, price is not the problem. The problem stems from their own failure to deliver a compelling and differentiated brand promise and then engage their customers. As Gallup research has consistently demonstrated, fully engaged customers — those with strong rational and emotional connections to a particular store — are the most profitable customers for a business because they care less about price and typically spend more on their preferred brand or product. Gallup found from the electronics survey that fully engaged customers spent an average of \$373 during their previous visit, compared with actively disengaged customers who spent an average of \$289.

Gallup also discovered that engagement has a direct correlation to consumers' ultimate purchasing decisions. According to the survey results, only 10% of fully engaged customers said they did not purchase anything during their last visit to a store, while 19% of actively disengaged



customers said the same. Among the fully engaged non-purchasers, just 15% said they intended to purchase or had already purchased the item at a competitor's store, compared with 63% of actively disengaged non-purchasers — a difference of 48 percentage points. However, there were no differences between engagement groups in their intention to purchase items online. In all cases, it was one percentage point or less. For these consumers, their engagement with the retailer was the deciding factor, not price breaks.

PEOPLE ARE THE TRUE DIFFERENTIATORS

Most brands are swimming in the sea of sameness. Gallup has found this to be true of the consumer electronics industry as well as several other industries. In one study, we asked more than 6,600 consumers — who were familiar with but not necessarily customers of six major American brands — to answer the following question: “How would you describe what Brand X represents, and what makes it different from its competitors?” To determine the degree of alignment, their responses were then compared with a list of core identity elements for each brand.

Across the six brands — representing the airline, hospitality, food and beverage, financial services, automotive, and retail industries — only the major retailer and the airline had alignment at or above 90% among consumers who were already familiar with their brands. For the other brands, however, the degree of alignment was lower. The food and beverage brand, for example, exhibited 39% alignment among consumers familiar with it. This implies that some companies have brand promises that may be too weak or vague to effectively distinguish themselves from their competitors.

In many cases, brand does not make consumers choose one store or restaurant over the next. The true differentiator in retail (and nearly every other industry) is the people who are responsible for delivering the brand promise. Gallup research has shown that the “people” factor is the key driver of customer engagement. People are powerful, and they outweigh the combined effect of products, advertising, layout, technology, and price — all of the

THE TRUE DIFFERENTIATOR IN RETAIL (AND NEARLY EVERY OTHER INDUSTRY) IS THE PEOPLE WHO ARE RESPONSIBLE FOR DELIVERING THE BRAND PROMISE.

various components that brick-and-mortar retailers often think define their competitive advantage. These elements do matter to some extent, but customers' engagement truly hinges on the one-on-one interactions they have with store managers and employees. While there may be various drivers of satisfaction in retail, customer engagement comes down to the human encounter.

Employees are responsible for doing more than getting a product to customers; they are responsible for creating and maintaining relationships. The service they provide can make or break customer engagement. Retailers can win the war for customers by paying more attention to the talent they hire and the experience they deliver to customers. To improve the customer experience, Gallup recommends that companies take the following actions:

- **Select the right managers.** Throughout four decades of research and consulting in the retail industry, Gallup has consistently found that stores with great managers outperform other stores. Great managers have the natural talent to empower their employees, recognize and value their contributions, and actively seek their ideas and opinions. This talent to engage employees is essential, but often difficult to find. Retailers can improve their chances for success by using scientifically sound selection practices that allow them to more accurately identify talent in their candidates. For example, when a major clothing

retailer began to use Gallup's selection instruments to identify and hire highly talented managers, it found that its employee engagement and store traffic increased, while its turnover decreased.

- **Select the right employees.** Talent for the role is as essential for front-line employees as it is for managers. Talented employees can better engage customers by providing great service and ultimately convincing them to buy more and visit more often. Again, companies need to use selection instruments that are specifically designed to find associates who can connect with customers on an emotional level. When they do so, they can expect their talent profile — and profits — to rise. When the same clothing retailer used Gallup's selection instruments to find and hire more talented associates, it was ultimately able to increase its annual revenue by \$30 million.
- **Coach to the person-to-person experience.** Managers are tasked with helping their employees fully understand how to engage customers. They must train their employees to deliver personalized service that inspires an emotional attachment. And that includes everything from coaching employees on how to greet and thank customers, resolve problems, listen for and identify needs, reinforce service standards, and close a sale.
- **Reinforce the brand promise.** In a study of 3,000 randomly selected workers, Gallup found that just 42% of employees in the retail industry strongly agreed with the statement, "I know what my company stands for and what makes our brand(s) different from our competitors." Retail employees interact with customers all day, every day. They must know what their company stands for and what makes it different and better so they can communicate that message to customers. Therefore, retail managers need to ensure that the brand promise is a central

and recurring message in their communication with employees. The brand promise should be reiterated during team meetings and one-on-one conversations, and managers should make it a point to recognize those employees who help bring it to life.

THE CHALLENGE AND OPPORTUNITY AHEAD

Competition in the retail industry is fiercer than ever, and brick-and-mortar retailers often struggle to find their niche. But if these retailers can engage their customers through exceptional service, they will find themselves pulling ahead of the pack.

Talented managers and employees are absolutely the defining element in any store's success. Brick-and-mortar retailers must look beyond basic resumes to selection systems that can pinpoint the right talent for these crucial roles. Without great people in place, brick-and-mortar retailers will find themselves repeating the same cycle of weak growth. **G**



INDUSTRY SPOTLIGHT: HOSPITALITY

FEW HOTEL GUESTS FEEL VALUED

During the Great Recession, many consumers pulled back on their discretionary spending, switching out name-brand products for generic versions, making meals at home, and forgoing personal luxuries like the latest electronics and new clothing. The economic downturn forced people to start saving, and that often meant skipping out on some not-so-necessary comforts — including vacations.

Consumers' newfound thriftiness caused the hospitality industry to struggle during the recession — and beyond. In early 2010, Smith Travel Research reported that the industry had reached a record-low occupancy rate of 45.1%. As profits dwindled, hundreds of thousands of employees were let go and new construction screeched to a halt. Hotels across the country operated in survival mode as consumers increasingly chose “staycations” over vacations.

But, in the last few years, consumers have again been traveling for both leisure and work, and the hospitality

industry has experienced growth in RevPAR (revenue per available room) and inventory. Although new hotel construction in the U.S. remains slow, demand is currently outpacing supply. And with most companies focused on developing properties overseas, this trend is set to continue throughout the next few years. In the short term, PwC projects a 2.4% increase in room demand for 2014, accompanied by a 6.0% increase in RevPAR.

Today, filling rooms to stay afloat is less of a concern for the hospitality industry than it was during the recession. In

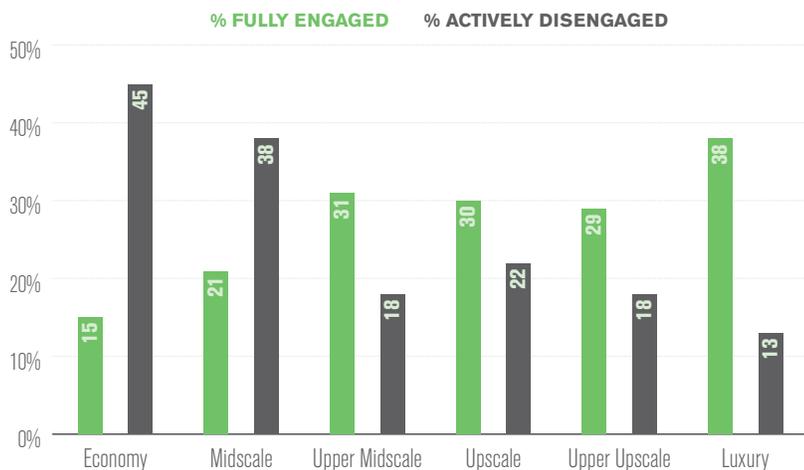
conversations with hotel managers and executives, Gallup consistently hears that they are turning their attention back to issues of guest service and are highly focused on providing a differentiated guest experience. But Gallup also finds that many guests have yet to connect with these initiatives, and their lack of engagement may be preventing the industry from truly moving forward. While their profits have been improving as of late, many hotels have yet to return to their 2008 RevPAR levels.

A QUARTER OF HOTEL GUESTS ARE ACTIVELY DISENGAGED

Hotel managers and executives should be concerned with the experience they are providing to their guests. In a 2011 study of nearly 11,000 U.S. hotel guests, Gallup found that 28% were fully engaged, while 25% were actively disengaged. For hotels, this means that one in four guests are openly antagonistic toward certain brands and that a large percentage of guests (47%) have no strong feelings either way about their last hotel stay.

Gallup also found sharp differences in engagement across different brand segments (economy, midscale, upper midscale, upscale, upper upscale, and luxury)*. Luxury hotel brands, which typically offer the highest level of personal service for the highest price, did the best job of fully engaging their guests (38%) and minimizing their percentage of actively disengaged guests (13%). Economy

GUEST ENGAGEMENT BY HOTEL SEGMENT



* See the Appendix for a complete list of hotels by brand segment.

brands, which typically offer limited personal service for the lowest price, had the lowest percentage of fully engaged guests (15%) and the highest percentage of actively disengaged guests (45%). However, a lower or higher brand segment did not show a clear tie to engagement in all cases. A larger percentage of upper midscale guests were fully engaged than were upscale and upper upscale guests.

Hotel guests have varying expectations for their stay that largely depend on the brand segment they have chosen. Luxury guests, for instance, place more emphasis on décor and valet parking than do upscale guests. In-room amenities and free breakfast are more important to upper midscale guests than they are to upper upscale guests. However, guests are not more or less engaged because of their expectations or the brand segment they choose. Their engagement is rooted in the hotel’s ability — or inability — to deliver on those expectations.

When Gallup looked at the top three drivers of engagement across all brand segments, we found that less than 50% of guests were extremely satisfied with those drivers. In other words, less than 50% were extremely satisfied with the product or service attributes that tend to increase a guest’s likelihood of being fully engaged. For example, “the responsiveness and helpfulness of staff” was identified as one of the top three drivers of engagement for upper upscale guests, but just 29% of guests in this segment indicated that they were extremely satisfied with this aspect of their stay. For midscale guests, the overall experience at check-in was determined to be a top-three driver of engagement. However, only 32% of guests in this segment said they were extremely satisfied with how they were treated at check-in.

SERVICE HAS THE GREATEST POTENTIAL TO AFFECT ENGAGEMENT

The participants in Gallup’s hospitality study identified several drivers of engagement and noted some distinctions among brand segments. However, nearly

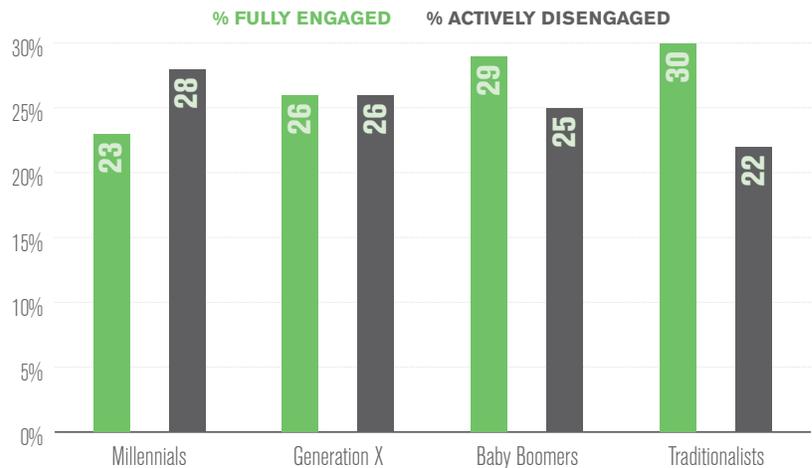
GUEST ENGAGEMENT BY GENERATION

every engagement driver was related to service. For example, guests of higher-end hotels (those in the luxury, upper upscale, and upscale brand segments) found the helpfulness of the hotel staff to be particularly important to their engagement, whereas those in the upper midscale, midscale, and economy brand segments were more likely to base their engagement on the quality of their check-in experience.

The study revealed one commonality across five of the six segments (economy, upper midscale, upscale, upper upscale, and luxury) that was again related to service: For the majority of hotel guests, being treated as a valued guest was a top-three driver of engagement. Yet Gallup findings suggest that hotels are not delivering the type of service that makes guests feel valued, which likely explains the hospitality industry's lackluster engagement levels.

In the economy brand segment, for instance, 18% of study participants indicated that they felt like valued guests during their last hotel stay. This discovery is unfortunate, as Gallup analysis also shows that economy-brand guests who do feel like they are valued are significantly more likely to be fully engaged with a hotel brand. Therefore, if hotels in this segment could provide a greater level of personalized and individualized attention to guests — while still keeping their room rates low — they could drastically increase engagement.

Guests in the upper midscale, upscale, upper upscale, and luxury brand segments are also significantly more likely to be fully engaged with a brand when they believe they have been treated like they are valued. But, in every scenario, the percentage of participants who actually had this type of meaningful experience was less than half. Regardless of how much a guest paid for a room, he or she believed the hotel should provide a certain level of attention — and when the guest did not receive that attention, his or her engagement suffered.



MILLENNIALS LEAST ENGAGED

When engagement was broken down by age group, Gallup found that traditionalists (those born prior to 1946) had the highest percentage of fully engaged guests (30%) and the lowest percentage of actively disengaged guests (22%). On the other end of the spectrum, millennials (those born after 1980) were the least engaged group, with the lowest percentage of fully engaged guests (23%) and the highest percentage of actively disengaged guests (28%).

As millennials represent the largest population group in the U.S., hotels are increasingly competing to capture their attention and make them brand believers. Gallup's study results, however, show that hotels are largely failing to connect with the wants and needs of their younger guests.

LOYALTY PROGRAMS DO NOT CREATE LOYALTY

Hotels, like many other industries, have long used rewards programs as both a marketing tool and a customer retention mechanism. In theory, these programs work by offering incentives to guests who continually choose a particular hotel brand for their stays. The more a guest returns to the brand, the more valuable his or her incentives, or rewards, typically become.

Although hotels can encourage guest retention through rewards programs, these programs don't guarantee enduring loyalty and engagement. Gallup's extensive research indicates that customer engagement is the element that

strengthens the effectiveness of brand loyalty programs. The more engaged guests are with a brand, the more likely they are to choose that brand when traveling. The success of a hotel's rewards program is directly related to its guests' engagement level, which is driven by other factors, including service, amenities, and cleanliness.

Gallup did find that guests were increasingly influenced by their rewards program as their level of rewards increased. Guests with higher rewards status were more likely to base their stay choice on the program and less likely to emphasize price as a decision factor. However, it may be possible that these guests returned to a brand because they felt emotionally connected to it, not necessarily because of their level of rewards.

HOTELS NEED A NEW GUEST SERVICE APPROACH

If hotels want to create loyal guests, they must first create engaged guests. To do that, they have to make hotel guests feel valued. But the interactions and experiences that create that feeling for each guest may look different, and they can take place online as well as offline. To compete in today's consumer-driven, multichannel world, hotel staff have to learn how to identify and accommodate guests' individual preferences for service. With millennials in the mix, this has become increasingly difficult for staff, as this generation has expectations and demands that are vastly different from their parents' and grandparents' generations. Nevertheless, for all hotel guests, across all demographics, there is an urgent need to provide them with a better experience.

Hotels can use the following tactics to enhance their guest service approach:

- **Improve selection practices.** The top drivers of engagement — making guests feel valued, staff being responsive and helpful, and the check-in/check-out experience — all rest on hotel employees' ability to provide the experience that guests want and expect. Therefore, hotels must recruit and hire individuals who are naturally talented to thrive in guest service roles and who can read and anticipate guests' various needs. But, to make this happen, hotel leaders need to apply better selection practices that are aimed at

finding people who fit these highly service-oriented roles. Employing effective selection tools is critical to finding talented employees who can build rapport with four generations of U.S. guests.

- **Encourage managers to be visible.** While part of the hotel manager's job is administrative in nature, the majority of the manager's time should be spent in front of guests — in the lobby or the breakfast area, at the afternoon or evening reception. An energetic and welcoming manager gives guests a better overall impression of the hotel and can help set the tone for their stay. When a manager is present in front of guests, he or she is also setting an example for employees of what it means to deliver great service.
- **Develop and reinforce a brand promise.** While all hotels understand that guest service is the foundation of their business, not all have taken the time to define what exceptional guest service means and how leadership should go about putting that definition into practice. Hotels typically fail to develop a brand promise, and even if they have one, they often neglect to reinforce it with the people who are tasked to deliver it — their employees.

In a separate 2012 study of 3,000 randomly selected workers, Gallup found that just 28% of employees in the hospitality industry strongly agreed with the statement, "I know what my company stands for and what makes our brand(s) different from our competitors." This finding suggests that the majority of hotels fail to equip employees with the necessary tools to engage their guests. They must take a more deliberate and focused approach to helping employees understand their brand promise and why it matters.

- **Monitor and respond to online discussions.** Of all industries that Gallup works with, the hospitality industry appears to have one of the best understandings of how to make social media and other online forums work as customer service tools. Hotel managers should continue to engage with guests through these channels to both decrease criticisms and boost compliments. Sites

like Facebook, Twitter, Yelp, and TripAdvisor are great resources for proactively monitoring guests' discussions and responding to their problems even after they've checked out.

THE CHALLENGE AND OPPORTUNITY AHEAD

Vacations and travel are more of a reality for consumers than they were just a few years ago, but Americans are still cautious with their money and are more deliberate about where they spend it. Although there has been a resurgence

in the hospitality industry, greater occupancy has not resulted in greater engagement. By failing to engage their guests, hotels are sacrificing loyalty and, therefore, revenue growth. Younger guests especially are increasingly willing to look at alternative lodging options like time shares and rental properties, which threaten hotels' long-term success. While the current situation is not ideal, it gives hotels an opportunity to refocus their service approach and capture guests who are largely looking for a brand they can connect with. 



DATA COLLECTION IN THE DIGITAL AGE

In recent years, the ubiquity of the Internet and the proliferation of smartphones and other technological devices have given rise to a host of novel ways to collect data. Investors, innovators, upstarts, and opportunists have given chase to elusive solutions for capitalizing on the latest technology in an effort to find “the next big thing.” But some are so caught up in the hype that they may have lost sight of the goal.

In light of all of the warp-speed changes to data collection methods wrought by recent high-tech advances, it is worth emphasizing that information quality and reliability are still the most important considerations in the practice of data collection, and that they always will be. In an age replete with digital solutions that dazzle one day and disappoint the next, Gallup maintains that *how* information is gathered is secondary to whether that information provides tangible benefits to the people who ultimately use it. After all, data are only useful in market research if they help clients gain actionable insights about customers that aid them in predicting future behavior. Customer intelligence that fails to meet this mark is innately worthless, no matter how quickly, cheaply, or abundantly it was gathered.

ADVANCING WITH TECHNOLOGY

As far back as the 1930s, our founder, Dr. George Gallup, began developing many of the basic methodologies and technical procedures still used today in marketing, advertising, and media and audience research. While our principles have remained the same, some of our practices have changed. Because of Gallup’s long history, we have experienced more technologically driven industry shifts than most research organizations in business today. And while we may initially take a more circumspect, scientific approach to adopting new modes of data collection, our adaptations always bring us to the front of the pack because we keep our clients’ best interests at the center of all that we do.

Gallup's foresight has given more than 10 million individuals worldwide the opportunity to discover their strengths and transform their lives.

In the last three decades, Gallup has gathered accurate, actionable data from millions of customers and employees on behalf of many of the world's leading global organizations. We've used various data collection methods to accomplish this, including face-to-face interviews, paper-and-pencil questionnaires, landline and cellphone interviews, interactive voice response surveys, and online surveys for computers and mobile devices. Some of our studies employ a combination of these modes, depending on what works best to reach specific populations.

MEETING CUSTOMERS WHERE THEY ARE

From our decades of experience, Gallup knows that the right technological solution is the one that makes the most sense for each client project. After all, the modes that would most effectively reach retail shoppers in Manhattan might vary considerably from the methodologies needed to access bank customers in Southeast Asia. The best market research firms understand this. They develop the expertise to know the right path to take, along with the versatility to meet the demand, however high- or low-tech a population might be.

In the 1990s, Gallup made a bold decision to offer its Clifton StrengthsFinder assessment solely online. At that time, the future was hazy in terms of the universal availability of computers and the Internet. However, Gallup prudently considered what made the most sense for the assessment and its users. Scoring the assessment requires rapid, complex calculations best made in a high-tech, automated environment. On the Internet, users can quickly answer the assessment's 177 questions with a uniform amount of time allotted for each query, and the program can analyze their responses and generate a customized report within minutes of completion. Gallup's foresight on this endeavor has given more than 10 million individuals worldwide the opportunity to discover their strengths and transform their lives. The assessment is now available on mobile devices, making it more accessible than ever.

ACCURACY TRUMPS SPEED AND COST

Since the days of Gallup's decision to deliver the StrengthsFinder assessment via the Web, Internet technologies have revolutionized the field of market research and changed how companies interact with their customers. While these technologies often save money and may speed up data collection and analysis efforts, some have serious drawbacks in terms of sampling, bias, and demographic challenges.

For instance, some companies require users to respond to survey questions before reaching their desired Web page. While this approach allows them to create and implement surveys inexpensively, it also limits the survey to one or two questions, curbing the ability for in-depth analysis. Also, sample sizes for online surveys are restricted to the roughly three-quarters of Americans who use the Internet and skew toward a younger population.

The predictability of such surveys is, well, unpredictable; the samples may not be representative of the larger population and may in fact be riddled with bias — nobody knows at this point. Although the latest technology-based solutions are gaining ground in market research, they highlight the issues of dubious quality and reliability that Gallup sees in many of the new data collection modes sweeping the industry.

Another popular survey delivery method — opt-in online surveys — has not been shown to provide reliable estimates of attitudes or behaviors. As such, major news organizations steadfastly refuse to report on polls conducted in this manner. Gallup is also looking into data mining and other studies using social media. Although the Web is teeming with data, no one yet has been able to harness the information in a way that stands up to rigorous scrutiny. At this point, Gallup's researchers agree that such methods raise more questions than answers, offsetting their potential value. But Gallup will continue to investigate and test such

methods as they arise, in the hope that they will one day lead to better solutions for our clients.

For example, Gallup recently tested text messaging surveys of U.S. banking channels to determine how response rates and breakoff rates compare with other survey modes. Researchers asked more than 15,300 U.S. adults to respond to either a five- or 12-question survey through one of the following modes:

1. a text message with a link to a Web survey
2. a series of text messages
3. a telephone call

Gallup found that the response rates for the telephone surveys were about three times as high as the rates for the text messaging surveys, regardless of whether respondents received all of the survey questions through text messages or received a single text message with a Web link to the survey questions.

SURVEY RESPONSE RATES

MODE	NO. OF SURVEY ITEMS	RESPONSE RATE
SMS	5	13%
SMS	12	12%
SMS/Web	5	13%
SMS/Web	12	12%
Phone	5	38%
Phone	12	41%

However, the respondents who did complete the survey using text messaging or the Web link had surprisingly low breakoff rates, meaning the majority answered all five or 12 of the questions in the survey.

SURVEY BREAKOFF RATES

MODE	NO. OF SURVEY ITEMS	% OF RESPONDENTS WHO COMPLETED ALL QUESTIONS
SMS	5	92%
SMS	12	81%
SMS/Web	5	99%
SMS/Web	12	91%
Phone	5	100%
Phone	12	100%

Moving forward, Gallup plans to conduct more testing related to text messaging surveys to determine what makes the most sense for clients considering this type of technology. Text message-based communication certainly presents limitations, both legally and logistically. Companies that want to send text messages must have express written consent from the receiver or may face legal action. Additionally, the maximum length for any single text message is 160 characters — and that must include the question and the response options. Given these restrictions, it is not likely that text messaging surveys will completely replace other survey modes anytime soon, but Gallup’s researchers will continue to evaluate the possibilities.

THE HUMAN SIDE OF ANALYTICS

Gallup has been collecting, evaluating, analyzing, and creating insights from data for more than 75 years. We have worked toward making the intangible tangible in the areas of economics, politics, social policy, well-being, employee performance and development, and customer loyalty and engagement. Gallup’s extensive and rigorous pursuit of data is grounded in one essential tenet: getting the most out of data is not about new hardware or software, or interesting models — it is about the *human* side of analytics.

Data do not speak or act for themselves; data require people who understand how to create and use metrics that drive and predict business outcomes. For decades, Gallup has used its science of analytics and behavior change to help organizations effectively deploy data-driven insights at all levels, ensuring that the value of their data can be realized in practice.

For the past few years, there has been substantial talk about the potential of “big data.” Within Gallup, however, big data is nothing new. We have been working with a lot of data from numerous sources for many years, long before the term “big data” was fashionable. For instance, Gallup has collected data from:

- Tens of millions of customers and employees surveyed over the past decade
- More than 2 million U.S. adults interviewed through the Gallup Daily tracking poll since 2008
- More than 1 million adults interviewed from more than 160 countries through our World Poll since 2006

Gallup understands big data better than anyone, and we understand how to take the data and create meaning from them. For example, through our surveys, we might learn that less than half of all banking customers are fully engaged with their primary bank. But for banks to actually do anything about their customer engagement, they need to know why some customers are engaged and others are not, and they need to know how to increase their engagement. Gallup can help those banks at every stage — data collection, analysis, and impact.

**GALLUP UNDERSTANDS
BIG DATA BETTER THAN
ANYONE, AND WE
UNDERSTAND HOW TO
TAKE THE DATA AND CREATE
MEANING FROM THEM.**

BOTTOM LINE

Being a leader in the market research industry means that our clients and the public hold Gallup to a higher standard than others in the field. Gallup has an obligation to not only find the newest ways to collect data, but also to extensively test these methods before deploying them ourselves or on behalf of our clients. Companies that provide “junk” data to clients by using untested or questionable methods ultimately degrade the industry’s integrity and can wreak irreparable damage on brands, businesses, and profit margins.

At Gallup, our marketplace expertise goes far beyond collecting data. We consult and collaborate with clients to develop strategies that help them act on our research to drive business outcomes. We can compare our clients’ results against more than 4 million respondents in six major world regions and across 14 industries. We have the agility that it takes to keep pace with innovations and changing trends and to continue evolving to meet clients’ needs. Gallup employs cutting-edge professionals attuned to the latest overtures in the realms of business, consulting, and technology. But most of all, we have the discernment and vision that come from decades of doing what is best for our clients. **G**

A woman with brown hair tied back, wearing a red top and a beige cardigan, is looking upwards and to the right with a slight smile. She is holding a brown bag. The background is a blurred industrial setting, likely a factory or manufacturing plant, with various mechanical parts and lights visible.

MAKING THE MOST OF THE CUSTOMER EXPERIENCE

By getting smarter about the way they relate to customers, companies can begin to transform the way they do business. Measuring and managing customer engagement leads to better customer relationships — resulting in increased share of wallet, profitability, revenue, and growth. But the world's top-performing companies don't stop there.

When it comes to winning over customers, successful businesses know that everything depends on their customers' experience with their organizations. During these interactions — whether online, over the phone, or in a store or showroom — customers are doing more than assessing a company's goods and services. They are subconsciously forming an emotional perception of how they *feel* about the encounter and about how the company's employees treat them. These perceptions dictate not only how much the customers will spend, but also whether they will recommend the company to others or provide repeat business.

Yet most organizations hire employees without giving much thought to whether they have the talent to engage customers, and they train these workers simply to complete the functional requirements of their roles, such as executing a money transfer at the teller window or properly checking in a guest for a hotel stay. By performing such functions correctly and efficiently, employees may leave their customers feeling satisfied with the transaction, but they will not leave them feeling emotionally connected to the company. In this sense, organizations are only equipping workers to do part of their jobs, setting them adrift when it comes to increasing engagement and using their strengths to connect with customers.

In contrast, top-performing companies do not leave the critical moments between employees and customers to chance. Gallup has spent decades studying successful organizations worldwide and has found common elements in their success, despite differences in region, culture, industry, and size. These businesses purposefully invest in developing and maximizing their workforce by selecting the right employees, engaging them in their work, supporting them with great managers, and building on their innate talents and strengths to prepare them to connect with customers. This approach pays dividends by helping these organizations differentiate their brands and win more business in an increasingly competitive global marketplace.

HIRING FOR TALENT

It all begins with bringing the best people on board. Highly successful organizations strategically seek candidates who are the right fit for the role and for the company's culture. While there are several factors to consider in the hiring process, the most fundamental is whether a person has the talent required to excel in fulfilling the role's responsibilities. Skills, education, and work experience are important to a lesser degree, but if the candidate doesn't bring the right blend of innate qualities to the job, all of the credentials and specialized training in the world won't help.

Gallup collaborates with companies to scientifically select employees with the potential to become top performers. Drawing on decades of research on successful employees in

numerous roles and industries, Gallup helps clients identify the specific talents that lead to success in virtually any position, including front-line roles where talents related to engaging customers are particularly essential. Gallup works with organizations to ensure that they attract and select candidates who possess these unique qualities.

With Gallup's proven selection instruments and expertise, companies can reduce time spent recruiting and hiring employees, which lowers the cost per hire. Selecting employees who have the talent to excel in a role also leads to accelerated ramp-up time and increases the likelihood that new hires will exceed performance expectations and potentially improve customer engagement, brand image, and reputation.

BUILDING ON STRENGTHS

While hiring for talent is a critical investment, it pays off only to the extent that companies help employees develop their innate talents to perform with strength. It is not enough to put the right people in the right roles. Employees need help to discover their greatest talents and learn how to use them to achieve their full potential. All employees have strengths — the unique combination of talents, skills, and knowledge that helps them do what they do best every day. These strengths do more than make them unique individuals. They also serve as these employees' — and their companies' — greatest opportunities for success.

To help people identify what they do best, Gallup developed the Clifton StrengthsFinder, an online assessment of personal talents that reveals individuals' areas of greatest potential for developing strengths. Since its launch in 1998, more than 10 million people worldwide have taken the assessment in 50 countries and in 24 languages. Gallup works with clients to help their employees and teams use their StrengthsFinder results to increase performance, engage customers, and achieve important business outcomes, including higher profitability and productivity. Gallup's research shows that people who use their strengths every day are six times more likely to be engaged in their jobs.

CREATING AN ENGAGING WORKPLACE

Engaged employees are the lifeblood of their organizations. They are involved in, enthusiastic about, and committed to their work; have higher productivity, profitability, and customer ratings; have lower turnover and absenteeism; and have fewer safety incidents. However, in a recent U.S. workplace study, Gallup found that only 30% of American employees are engaged in their jobs, while 52% are not engaged and an alarming 18% are actively disengaged. Active disengagement is no small threat to American businesses — Gallup estimates that it costs the U.S. between \$450 billion and \$550 billion per year.

Further, Gallup discovered that employee engagement for service workers is among the lowest of any job category and has declined as engagement in other categories has increased. This is a red flag for companies that entrust their customers to the care of service workers every day. When front-line employees are not engaged in their own roles, they stand little chance of engaging their customers.

The good news is that employee engagement is measurable and manageable with Gallup's Q12, a workplace metric consisting of 12 actionable elements with proven links to performance outcomes. Since the late 1990s, the survey has been administered to more than 25 million employees in 195 countries and in 70 languages. Improving engagement goes beyond asking the right questions, however. Gallup supports organizations in systematically increasing employee engagement using proven interventions at the local and enterprise level.

ENGAGED EMPLOYEES ARE THE LIFEblood OF THEIR ORGANIZATIONS.

MAXIMIZING TEAMS WITH GREAT MANAGERS

Gallup has found that managers account for at least 70% of the variance in employee engagement scores across business units. Companies often end up putting people in this critical role who lack the natural talent to manage, and as a result, the organization and its employees suffer. In fact, our research has revealed that companies fail to choose the candidate with the right talent for the job 82% of the time. And, unfortunately, these miscast managers can do real damage to an organization's performance and bottom line.

Naturally talented managers, however, inspire employees to stay longer, produce more, and perform better. They help employees understand how every role in the organization connects to the customer through the company's mission and purpose. Every direct or indirect point of contact between a company and a customer — even through a bill, a letter or email, an ATM transaction, an online interface, or a product or service — has the potential to make a customer feel more engaged or less engaged with the company. Such experiences are rarely neutral. Great managers recognize this, and they help motivate all employees, accelerate their development, and unleash their innovation and productivity to ultimately engage the emotions of the customers they serve at every possible touchpoint.

Great managers have the ability to maximize the potential of each employee, ultimately creating an unstoppable team. But finding these managers can be a challenge. Gallup research shows that one in 10 people possess all of the talents necessary to be a great manager. Another two in 10 exhibit some characteristics of basic managerial talent and can perform at a high level if their company invests in coaching and growth plans for them. To help organizations find and select more of the "best of the best," Gallup created the Manager Assessment, a scientific and systematic selection and development solution. This assessment, based on our analysis of 2.5 million managers worldwide, is specifically aimed at identifying the innate talents that define great managers.

COMPANIES STRUGGLE TO CONNECT ENGAGED EMPLOYEES' ACTIONS WITH ENGAGING EXPERIENCES FOR CUSTOMERS.

ALIGNING EMPLOYEE AND CUSTOMER ENGAGEMENT STRATEGIES

Gallup's HumanSigma approach is a framework companies can use to align employee engagement and customer engagement to optimize performance and growth. Based on research conducted with 10 million employees and 10 million customers worldwide, the HumanSigma approach combines a proven method for assessing the employee-customer encounter with an actionable process for improving it.

The HumanSigma framework fuses Gallup's Q¹² employee engagement metric with its customer engagement metric to provide companies with a more precise tool for assessing and managing interactions between employees and customers. Both metrics consistently demonstrate powerful links to key business outcomes. Combining them amplifies their revenue-boosting effects by aligning an engaged workforce to meet customers' emotional needs.

When Gallup researchers studied the effects of combining customer and employee engagement, they found that in workgroups with engaged employees serving engaged customers, the result was more than the sum of its parts. When organizations successfully engage their customers and their employees, they experience a 240% boost in performance-related business outcomes compared with a company with neither engaged employees nor engaged customers. Organizations that only maximize one or the other can experience growth in the short run, but they will not be able to sustain it long term unless they align their efforts to improve both.

HARNESSING THE POWER OF THE EMPLOYEE-CUSTOMER ENCOUNTER

Optimizing the emotional connection between employees and customers must be central to what leaders and managers think about every day. If they do not focus on this connection, missed opportunities to maximize employees' efforts quickly result in missed opportunities with their customers or prospects, inhibiting organizational growth. Despite what companies stand to gain, Gallup often finds that they struggle to connect engaged employees' actions with engaging experiences for customers.

All employees need to understand how their individual contributions relate to the company's mission and purpose, whether that mission is to make a profit and increase earnings per share, to raise funds to keep a nonprofit operation running, or to provide healthcare to those in need. But front-line employees represent a particularly important opportunity to fulfill this mission in direct interactions with existing and potential customers.

The moment that an employee connects emotionally with a customer is a source of untapped power that has profound implications on a company's productivity and profitability. When organizations know how to prepare front-line employees to make the most of these moments, they successfully engage their customers — who in turn spend more, visit more often, resist competitive overtures, promote the brand to others, and forgive the occasional service blunder. To maximize employee and customer interactions and win in the marketplace, organizations need to select the right employees, build on their strengths, engage them in their roles, support them with great managers, and then deploy every facet of their operation to engage their customers. **G**

WHAT THE BEST DO DIFFERENTLY

Smart leaders know that finding and retaining customers is the key to real, sustainable growth. Without customers, there would be no jobs, no companies, no stock market, no GDP. The CEOs of America's companies know that jobs follow new customers, not the other way around.

However, gaining and keeping customers has proven much more difficult after the Great Recession. Customers have changed: They are more cautious about spending their money and more demanding about what they expect in return. The companies that serve them must change too, if they want to survive.

For companies that can adapt to the new normal, the rewards will be immense. The world's GDP is \$60 trillion and is estimated to grow to about \$200 trillion in the next 30 years — so roughly \$140 trillion in new customers will be up for grabs. The organizations that best position themselves and prepare their employees to compete will be eligible for the spoils.

The winners will be enterprises that create an aligned, integrated experience for their customers on a foundation of exceptional service. These are the companies that measure everything and make intelligent, data-backed decisions. These organizations select great managers and construct high-performing teams by hiring for talent, developing employees' strengths and positioning them to perform with excellence, and building a workplace culture rooted in employee engagement and well-being — all for the purpose of delivering a world-class customer experience.

People at these companies know why they come to work each day. Their employers instill in them a vital sense of mission and empower them to go the extra mile for customers. These workers do more than just make sales — they strive to build and maintain customer relationships. These companies have a strong brand promise, and they ensure employees know how to deliver on it. Their customers, in turn, sense something different about them. They value the exceptional service they consistently receive. It keeps them coming back, and it inspires them to share these positive experiences with friends and family.

While other businesses rely on price cuts and short-term promotions, the best set out to win customers for life. They create emotional connections with their customers and continually measure their engagement. By taking the pulse of their customers regularly, these companies easily spot positive trends to build on and head off negative issues before they implode. Armed with meaningful data and analysis, they continuously evolve to stay a step ahead of their customers' needs — and the competition.

The best companies understand that engaging customers does not happen instantly or easily: It requires an intense, intentional focus on optimizing every customer interaction, knowing that each encounter has the potential to strengthen or undermine the relationship. They know that the benefits of this approach are too powerful to ignore. Customer engagement offers a proven path to real, sustainable growth, no matter what industry or market an organization operates in.

Even amid the uncertainties of the current economic landscape, companies can make progress in engaging and growing their customer base. In fact, Gallup found that a greater percentage of customers in its global client database were fully engaged in 2013 than at any point in the last five years. These gains reflect more than our world-renowned data collection expertise; they also demonstrate the value of the partnerships we build with our clients over time. Gallup provides actionable insights and analysis tailored to our clients' needs that they simply can't find anywhere else.

At Gallup, we help companies learn to make the most of the moments between customers and employees. Those that do will build a base of engaged customers who spend more, visit more often, resist competitive overtures, promote the company's brand to others, and forgive errors and mistakes. These are the companies that will survive, thrive, and lead the country forward. These are the businesses to bet on in the new economy. 



A handwritten signature in black ink that reads "Ed O'Boyle".

ED O'BOYLE

Global Practice Leader



A handwritten signature in black ink that reads "John Fleming".

JOHN FLEMING

Chief Scientist, Marketplace

APPENDIX: METHODOLOGY NOTES AND REFERENCES

In general, the data in this report came from Gallup's customer engagement database, Gallup Panel studies, or Gallup Daily tracking. Please see below for details.

GALLUP'S CUSTOMER ENGAGEMENT DATABASE

Gallup's historical client database contains information from clients who took the Gallup customer engagement survey between 2001 and 2013. It holds data from nearly 15 million respondents from 347 clients in 60 countries and 60 industries.

Gallup updates its database annually. Findings used to conduct research and set benchmarks are based on five-year rolling periods. Gallup's 2014 customer engagement database includes data from 2009, 2010, 2011, 2012, and 2013 with data from 5.8 million respondents and 90 clients.

This report includes data from U.S. B2C clients only.

THE GALLUP PANEL

The Gallup Panel recruits its panelists by calling prospective members via a random-digit-dial (RDD) frame of landline and cellphone numbers or using address-based sampling. Those who agree to join the Panel complete a short set of demographic questions about themselves. Upon receipt of this information, these individuals officially become members of the Gallup Panel.

Once individuals are part of the Panel, Gallup encourages them to remain members as long as they are willing and interested. Panel members agree to participate in an average of three surveys per month. Surveys are either administered by an interviewer (over the phone) or are self-administered (either by mail or via the Web, depending on the respondent's Internet accessibility).

Retention

As with any sample designed for longitudinal analysis, attrition affects the Gallup Panel. However, Gallup attempts to retain panelists for as long as possible and makes special efforts to retain individuals who are in the greatest danger of attrition. When panelists fail to respond to three consecutive surveys, they receive a postcard encouraging them to participate the next time they receive a survey. If they still do not respond after two additional surveys, they receive a courtesy call asking if there are any problems and encouraging their participation. After six consecutive missing survey responses, Gallup drops them from the Panel. Because of these efforts, attrition averages about 3% per month.

Size

Currently, the Gallup Panel consists of more than 60,000 individual members from more than 50,000 households. Gallup recruits new members on an ongoing basis to replenish demographic segments that have left the Panel.

Response Rates

The response rate for any individual survey conducted through the Gallup Panel ranges between 50% and 70%, depending on the length of the field period. However, to calculate the American Association for Public Opinion Research or Council of American Survey Research Organizations response rate, one must take into account all recruitment phases. The initial RDD recruit has a response rate of about 27%. Approximately 55% of those who agree to participate in the Panel ultimately are officially enrolled in the Panel. Thus, before Gallup conducts any individual study, the response rate is between approximately 7% and 10%.

GALLUP DAILY TRACKING

Gallup Daily tracking methodology relies on live interviewers and dual-frame telephone sampling (which includes listed landline and RDD cellphone sampling to reach those in cellphone-only households) and uses a multi-call design to reach respondents not contacted on the initial attempt. Gallup interviewers employ a “most recent birthday” selection method for choosing adult respondents within a landline household. Gallup Daily tracking includes Spanish-language interviews for Spanish-speaking respondents, and interviews in Alaska and Hawaii.

Gallup weights the data daily by number of adults in the landline household to adjust for any disproportion in selection probabilities and by the respondents’ reliance on cellphones. Next, Gallup weights the data to compensate for nonrandom nonresponse, using targets from the U.S. Census Bureau for age, region, gender, education, ethnicity, and race. The resulting sample represents an estimated 95% of all U.S. households.

Gallup weights data summarized at the state, congressional district, and Metropolitan Statistical Area (MSA) level twice per year.

A CLOSER LOOK AT CONSUMER SPENDING

See “Five Years After Lehman Fell, U.S. Consumer Recovery Mixed” by Lydia Saad, Sept. 12, 2013, on Gallup.com.

See “Underemployed Report Spending 36% Less Than Employed” by Jenny Marlar, Feb. 23, 2010, on Gallup.com.

See “In U.S., Economic Confidence Lowest Since Late April” by Alyssa Brown, July 30, 2013, on Gallup.com.

See “U.S. Consumer Spending in December Highest Since 2008” by Frank Newport, Jan. 6, 2014, on Gallup.com.

See “U.S. Economic Confidence Rising, but Still Negative” by Alyssa Brown, Dec. 31, 2013, on Gallup.com.

See “U.S. Economic Indicators Improve in 2013” by Brendan Moore, Jan. 9, 2014, on Gallup.com.

See “U.S. Workers Still Haven’t Shaken the Job Worries of 2009” by Lydia Saad, Sept. 2, 2013, on Gallup.com.

Gallup’s Economic Confidence Index is based on the combined responses to two questions asking Americans, first, to rate economic conditions in the country today, and second, whether they think economic conditions in the country as a whole are getting better or getting worse. The index is computed by adding the percentage of Americans rating current economic conditions (“excellent” plus “good”) minus “poor”) to the percentage saying the economy is (“getting better” minus “getting worse”), and then dividing that sum by 2. The index has a theoretical maximum value of +100 and a theoretical minimum value of -100. Values above zero indicate that more Americans have a positive than a negative view of the economy; values below zero indicate net-negative views, and zero indicates that positive and negative views are equal. Gallup measures Americans’ economic confidence nightly as part of Gallup Daily tracking, and reports the index in three-day rolling averages daily as well as in weekly and monthly averages in Gallup’s ongoing reporting. The daily reports are based on interviews with approximately 1,500 Americans, aged 18 and older; weekly averages are based on approximately 3,500 interviews; and monthly averages are based on approximately 15,000 interviews. From October 2000 through March 2014, the index has correlated at a 0.95 level with the Thomson Reuters/University of Michigan Consumer Sentiment Index and at a 0.82 level with the Conference Board’s Consumer Confidence Index. This is based on analysis of Gallup data from the first week of each month — the period most comparable to the Conference Board’s data-collection period and significantly overlapping with the Thomson Reuters/University of Michigan field period. In contrast to the Conference Board and Thomson Reuters/University of Michigan reports that are issued at the end of the month, Gallup’s daily and weekly reports are issued nearly in real time, providing the most timely insights available on consumer attitudes.

Gallup’s Consumer Spending measure is calculated from responses to a basic question asking Americans each day to estimate the amount of money they spent “yesterday,” excluding the purchase of a home or an automobile or normal household bills. The result is a real-time indicator

of discretionary retail spending, fluctuations in which are sensitive to shifts in the economic environment. Gallup's average monthly estimate of spending is correlated at the 0.65 level with the U.S. government's report of total U.S. retail sales (not seasonally adjusted), and exhibits similarly positive and substantial correlations to other government measures of retail sales. These positive correlations indicate that changes in Gallup's spending estimates are related to changes in both direction and magnitude of actual consumer spending as reported by the government. Further, Gallup's Consumer Spending measure provides estimates on a continuing basis, giving an early read on what the government eventually reports roughly two weeks after the close of each month. Gallup's continuous surveying allows for analysis of spending patterns on a daily and a weekly basis, which is particularly important to understanding seasonal variations in spending. The spending measure allows business and investment decisions to be based on essentially real-time information.

WHY CUSTOMER ENGAGEMENT MATTERS

See *Human Sigma: Managing the Employee-Customer Encounter* by John H. Fleming and Jim Asplund, 2007.

This information also comes from Gallup's 2013 customer engagement database and the following Gallup Panel surveys:

Consumer Electronics: Gallup Panel survey of 20,331 U.S. adults that Gallup administered in February-March 2011

Dining: Gallup Panel survey of 24,842 U.S. adults that Gallup administered in March-April 2010

Hospitality: Gallup Panel survey of 13,515 U.S. adults that Gallup administered in December 2013-January 2014

Retail Banking: Gallup Panel survey of 11,809 U.S. adults that Gallup administered in November 2013

Insurance: Gallup Panel survey of 18,039 U.S. adults that Gallup administered in December 2013-January 2014

PROMISES MADE, PROMISES KEPT: THE POWER OF BRAND ALIGNMENT

See "Americans' Confidence in Congress Falls to Lowest on Record" by Elizabeth Mendes and Joy Wilke, June 13, 2013, on Gallup.com.

See "Do Consumers 'Get' Your Brand?" by John H. Fleming and Dan Witters, Feb. 29, 2012, in the *Gallup Business Journal*.

See "Kantar Media Reports U.S. Advertising Expenditures Increased 0.9 Percent in 2013, Fueled by Larger Advertisers" by Kantar Media, March 25, 2014, on KantarMedia.com.

See "Your Employees Don't 'Get' Your Brand" by John H. Fleming and Dan Witters, July 26, 2012, in the *Gallup Business Journal*.

THE MYTH OF SOCIAL MEDIA

See "U.S. Social Media Advertising Revenues to Reach \$15B in 2018" by BIA/Kelsey, May 15, 2014, on BIAKelsey.com.

See "Facebook Plays Host to More Than 250 Billion User Photos" by Shawn Knight, Sept. 18, 2013, on TechSpot.com.

See "Social Media: The Three Big Myths" by Blaise James and Jim Asplund, Sept. 1, 2011, in the *Gallup Business Journal*.

See "Study: How Fortune 500 Brands Are Using Instagram" by Jennifer Beese, Sept. 30, 2013, on SproutSocial.com.

See "Twitter Turns 7: Users Send Over 400 Million Tweets Per Day" by Hayley Tsukayama, March 21, 2013, on WashingtonPost.com.

See "YouTube Users Watch 4 Billion Videos a Day, But Don't Stick Around Long" by Todd Wasserman, Jan. 23, 2012, on Mashable.com.

This analysis also used a Gallup Panel survey of 18,525 U.S. adults that Gallup administered in December 2012.

INDUSTRY SPOTLIGHT: BANKING

See “Americans’ Confidence in Banks Up for First Time in Years” by Dennis Jacobe, June 14, 2013, on Gallup.com.

See “Banks: Get Your Customers to Go Digital” by Daniela Yu and John H. Fleming, May 14, 2013, in the *Gallup Business Journal*.

See “BRATMO, Mobile, and Social — The Latest Stats on Channel Usage” by Jon Hughes and Beth Youra, Feb. 27, 2014, on Gallup.com.

See “Every Channel Matters When Engaging Bank Customers” by Jon Hughes, March 28, 2014, on Gallup.com.

See “The Financial and Emotional Benefits of Fully Engaged Bank Customers” by Jon Hughes and Beth Youra, March 7, 2014, on Gallup.com.

See “How Customers Interact With Their Banks” by Daniela Yu and John H. Fleming, May 7, 2013, in the *Gallup Business Journal*.

See “What Matters Most to Banking Customers” by Dennis Jacobe, Jan. 26, 2012, in the *Gallup Business Journal*.

This analysis also used a Gallup Panel survey of 11,809 U.S. adults that Gallup administered in November 2013, a Gallup Panel survey of 9,175 U.S. adults that Gallup administered in June–August 2012, and a Gallup Panel survey of 31,481 U.S. adults that Gallup administered in September–October 2011.

INDUSTRY SPOTLIGHT: RETAIL

See “Amazon, Netflix and Priceline for Disruptive Growth” by Andrés Cardenal, Nov. 23, 2013, on Fool.com.

See “Cyber Monday Goes Mobile With 55 Percent Sales Growth, Reports IBM” by IBM, Dec. 3, 2013, on IBM.com.

See “The Myth of ‘The Peril of ‘Showrooming’” by John H. Fleming, June 7, 2013, on Gallup.com.

See “Online Holiday Shopping Rises, Still Trails Other Venues” by Joy Wilke, Nov. 27, 2013, on Gallup.com.

See “‘Showrooming’ Affecting U.S. Retail Sales” by Art Swift, Nov. 22, 2013, on Gallup.com.

See “Your Employees Don’t ‘Get’ Your Brand” by John H. Fleming and Dan Witters, July 26, 2012, in the *Gallup Business Journal*.

INDUSTRY SPOTLIGHT: HOSPITALITY

See “Hard Times Send Hotel Industry Into ‘Survival Mode’” by Gary Stoller, March 19, 2010, on USAToday.com.

See “Hospitality Directions US” by PwC, January 2014, on PwC.com.

See “Your Employees Don’t ‘Get’ Your Brand” by John H. Fleming and Dan Witters, July 26, 2012, in the *Gallup Business Journal*.

This analysis also used a Gallup Panel survey of 11,000 U.S. adults that Gallup administered in November–December 2011, a Gallup Panel survey of 13,515 U.S. adults that Gallup administered in December 2013–January 2014, and a Gallup Panel survey of 18,525 U.S. adults that Gallup administered in December 2012.

SEGMENT	HOTELS IN EACH SEGMENT
ECONOMY	Best Inns or Best Suites, Country Hearth Inn, Days Inn, Econo Lodge, Extended Stay America, Extended Stay Deluxe, E-Z 8 Motels, Great Western, Guesthouse Inns, Homestead Studio Suites, Innkeeper, Knights Inn, La Quinta Inns & Suites, Microtel Inn, Motel 6, Red Carpet Inn, Red Roof Inns, Super 8, Travelodge
MIDSCALE	Americinn, Baymont Inns & Suites, Best Western, Cabot Lodge, Candlewood Hotel, Clubhouse Inns of America, Howard Johnson, Mainstay Suites, Ramada, Red Lion Hotel, Sleep Inn, Wingate Inn
UPPER MIDSCALE	Clarion, Comfort Inn or Comfort Suites, Country Inn & Suites, Drury Inn, Fairfield Inn & Suites by Marriott, Hampton Inn, Holiday Inn Express, Holiday Inn or Holiday Inn Select, Phoenix Inn, Wyndham Garden Hotel
UPSCALE	Courtyard, Crowne Plaza, Doubletree Hotels by Hilton, Four Points, Hilton Garden Inn, Homewood Suites by Hilton, Hyatt Place, Hyatt Regency, Park Plaza, Radisson, Residence Inn, Springhill Suites by Marriott, Staybridge Suites, Wyndham Luxury Resorts
UPPER UPSCALE	Caesars, Embassy Suites, Gaylord Entertainment, Hilton, Hyatt, Kimpton Hotels, Le Meridien, Marriott, Omni Hotels, Renaissance, Sheraton Hotel, Starhotels, Swissotel, Westin, Wyndham Hotels
LUXURY	Conrad, Fairmont Hotel, Four Seasons, Grand Hyatt, Inter-Continental, J.W. Marriott, Loews, Mandarin Oriental, Park Hyatt, St. Regis, The Peninsula Group, The Ritz-Carlton, W Hotels, Waldorf

MAKING THE MOST OF THE CUSTOMER EXPERIENCE

See *Human Sigma: Managing the Employee-Customer Encounter* by John H. Fleming and Jim Asplund, 2007.

See “The Relationship Between Engagement at Work and Organizational Outcomes: 2012 Q¹²® Meta-Analysis” by James K. Harter, Frank L. Schmidt, Sangeeta Agrawal, and Stephanie K. Plowman, February 2013.

See “State of the American Workplace: Employee Engagement Insights for U.S. Business Leaders” by Gallup, 2013.

See “State of the Global Workplace: Employee Engagement Insights for Business Leaders Worldwide” by Gallup, 2013.

DATA COLLECTION IN THE DIGITAL AGE

This article used information from Gallup’s 2013 customer engagement database.

This analysis also used a Gallup Panel survey of 15,334 U.S. adults that Gallup administered in July–November 2013.

WHAT THE BEST DO DIFFERENTLY

This article used information from Gallup’s 2013 customer engagement database.

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