

WHITEPAPER

Empathetic Customer Experience

Long-term Value, Innovation as an Asset

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Those who invest in, and scale, empathetic customer experience will create future-facing competitive advantage and value.

Post-Covid, businesses across all industries and geographies are seeking to create value in a radically transforming digital environment. Customers now expect and demand a new level of digitally enabled services, engagements, and products from brands. There is currently an empathy deficit in customers' experiences with brands and those brands who address this will be the new value creators.

David Rowan, Author of No BS Innovation and founding Editor of Wired Magazine UK, defines innovation as something that:

“Delivers future-facing revenue opportunities for clients, by leveraging emerging tech in creative new ways of generating value (and hence profits).”

Today we are witnessing the next great disruptive era of innovation as businesses integrate Conversational AI, intent modeling, and autonomous animation to create deeply personal, scalable, emotional and empathetic customer experiences. The new cookieless digital media world changes the focus from the Customer Acquisition Cost (CAC) to building long-term valuable relationships.

For the last 2 decades marketing has been obsessed with the great CAC arms race. The penetration and maturity of digital media gave marketers incredible horsepower for acquiring new customers, with great emphasis on filling the top of the funnel as efficiently as possible, and less thought to retain long-term customer relationships. Now marketers have to come to terms with a more regulated, cookie-less digital environment. Customer acquisition will become harder, less efficient, and more expensive leaving businesses to look elsewhere for creating value for shareholders. The focus will turn to nurturing and creating value out of long-term relationships with customers rather than attritionally filling the funnel. When the KPI of choice was how low was your CAC, now it will be how high is the lifetime value of your customers, and what are you doing to increase the yield.

Customer Experience: emotion matters

In order to construct a winning Customer Experience Strategy it is helpful to define a framework for evaluating what successful Customer Experience is. Gartner has succinctly articulated it as: “The practice of designing and reacting to customer interactions to meet or exceed their expectations, leading to greater customer satisfaction, loyalty and advocacy.”¹

1 <https://www.gartner.com/en/information-technology/glossary/customer-experience-management-cem>

If we are to successfully “meet and exceed” expectations then we need to appeal to the 2 sides of the beast that is the customer: the rational and the emotional, or in academic study parlance the Utilitarian Vs the Hedonic. The utilitarian view Abbot argues is “**experience as being the transformation of products into value as perceived by the consumer**”. From the Hedonic approach, Schmitt (1999, p.26) asserted that experience “...provide sensory, emotional, cognitive, behavioural and relational values that replace functional values”.

Years of scientific research from Customer Experience scholars including Oliver, Fournial, Arnould & Cost, Barsky & Nash, Hoyer & Macinnes, Yang & He have all concluded that when emotion features in CX there is a powerful positive impact on customer behaviour: “**If a company is able to create a strong emotional experience with its customers, it can be very effective to encourage future purchases made by customers**”. (Fournier, 1998)²

Creating Emotion is the powerful driver of positive customer experience and longer, valuable customer value. This is where we look to the role of empathy, the often overlooked yet critical super power to creating emotional relationships.

The evidence shows that Empathic relationships with customers create value

Empathy has underpinned positive emotional human relationships since the inception of time. It allows us to understand and relate to each other, and provides the building blocks for kinship, intimacy, trust and forgiveness. As outlined by Psychologists Daniel Goleman and Paul Ekman, Empathy can be broken down into 3 categories³:

- **Cognitive empathy** is the ability to understand how a person feels and what they might be thinking. Cognitive empathy makes us better communicators, because it helps us relay information in a way that best reaches the other person.
- **Emotional empathy** (also known as affective empathy) is the ability to share the feelings of another person. Some have described it as “your pain in my heart.” This type of empathy helps you build emotional connections with others.
- **Compassionate empathy** (also known as empathic concern) goes beyond simply understanding others and sharing their feelings: it actually moves us to take action, to help however we can.

Empathy has been a core facet of marketing for generations. Understanding the emotional state of those that interact with your brand is a cornerstone of building any valuable business

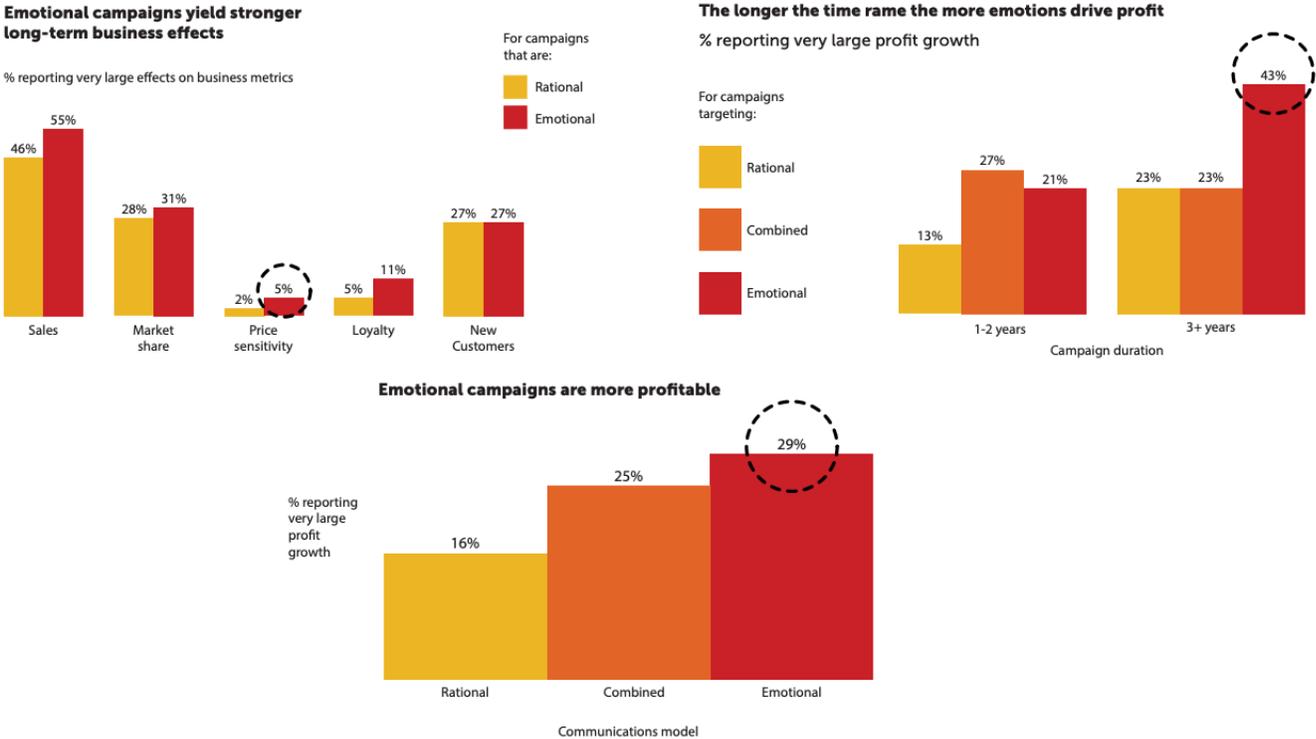
2 <https://pdfs.semanticscholar.org/857f/0bc063bda120e5bedb381daa54822a8b5045.pdf>

3 <https://www.inc.com/justin-bariso/there-are-actually-3-types-of-empathy-heres-how-they-differ-and-how-you-can-develop-them-all.html>

relationship. As we know from Binet and Fields research study, *The Long and the Short of It*, emotional marketing compounds over years, creating profit. Per the exhibit below we can see that emotional relationships yield:

- An 87% increase in profitability over 3 years when compared to rational marketing
- A 120% increase in loyalty

Emotional campaigns are more effective on almost all business metrics especially long-term



Source: Les Binet and Peter Field, *The Long and the Short of It*, IPA, (Figures 44, 53, 54)

If you have constructed your CX strategy around the ability to engage empathetically with customers, you will create emotional relationships which will create future-facing competitive advantage and value.

There is currently an empathy deficit in Customer Experience

“Never have marketers known so much about their customers, but yet customers have never been more unhappy with marketing,” said Head of Analytics at Google, Kevin Hartman.

Despite the evidence to show the long-term value creation of empathetic and emotional relationships, and the opportunities available for marketers from their investment in Big Data and CX, there is an increasingly large empathy deficit between brands and consumers.

Accenture's **research** quantifies this deficit:

“Eight out of 10 companies think they deliver great customer experiences. Only 8% of customers agree.”

Research conducted by **MyCustomer** incorporating 500 customers identified that:

“Almost all the customer respondents said that empathy was important in customer service interactions and yet over a third said that their emotional state was neither understood nor acknowledged.”

Customer Experience has hit its elastic limit. It has been the domain of binary customer experience maps, using rational and action-based data inputs to define what the customer should be doing next. It has yet to understand the emotional status of the customer, convert this into an empathetic engagement at scale and produce a positive result. As the evidence shows, an empathetic customer experience yields better long-term loyalty and increased profits. Without empathy, your customer experience will fail. Without scale, you cannot progress. The empathy deficit is the largest imminent threat to a businesses' growth, for those who embrace new technologies to overcome the deficit it represents a defining competitive advantage and value creation.

To create value, empathetic CX must be viewed as long-term assets requiring investment to scale

Without the investment and infrastructure that sustains long-term value creation, you are left with a 'tick-box' innovation culture. Empathy itself is not a new phenomenon, but the value created from investing in its enduring technology partnerships will transform the ways in which we interact with customers. Without viewing empathetic CX as a long-term asset, nourished by investment to yield returns, innovations can't graduate from 'conceptual costs' to 'value creators'. Terry Jones⁴ of Syncom Venture Partners states “creativity is about thinking up new things, innovation is about doing them. I hold four patents but they are not innovations, only paper on a wall, as the company I worked for never reduced them to products!” The conceptual gains a business can imagine from understanding their customer needs would manifest into fruition with the development of empathetic relationships.

Empathetic value notwithstanding, from a technological perspective, connections with customers through digital channels are here to stay. In many cases, the acceleration caused by Covid has given businesses no choice but to invest in their digital programmes. In 2019, only 56% of businesses were “in progress or had completed” a full digital transformation.

4 <https://www.forbes.com/sites/alisonescalante/2021/05/18/you-already-have-the-skills-for-innovation-at-work-you-just-have-to-remember-them>

Post-covid, that number spikes to 71% in 2020.⁵ Furthermore, it is a universal truth that continued investment in resources and processes delivers returns – companies that invest heavily in research and development made more than a 25% return over the past year. This is nearly double that of the S&P 500. More innovative companies have beaten the market average for the past 40 years⁶. Empathetic CX is coming into the mainstream as the next logical long-term investment.

How Soul Machines can be the cornerstone of your long-term empathetic CX

Soul Machines is at the very forefront of this new wave, using their Human OS Platform, powered by a digital brain, to create astonishing digital people who can understand, engage and serve customers empathetically at an infinite scale.

This enables brands to perceive customer's emotions, understand whether they are happy, anxious, frustrated, confused, curious and adapt the engagement appropriately. It unlocks the type of empathetic engagement that humans react best to, and sets the foundations for a customer experience people would like to repeat.

Soul Machines' Digital People are the next asset in Customer Experience that will create long-term value. Whilst it's exciting to build digital humans, the true value comes in scaling consumer engagement with the digital humans over the long term to inform and optimize CX.

It's for this reason that industry leaders such as Nestle, Bank ABC, Madera Residential and Mayville University have made long-term commitments to embedding Digital People as the cornerstone of their Empathetic CX.

A major retail and commercial bank has been building Soul Machines Digital People into their internal training and CX since 2017, and is now rolling it out to retail banking.

A multinational CPG Company has created a Digital Beauty Consultant and Brand Ambassador relatable to young women. This digital skincare advisor helps young women to identify their beauty needs, regimes and buy products delivering a massive uplift in e-commerce conversions. This program is now being rolled across a wide range of markets and is seen as a valuable tool for building long term market share.

A worldwide non-profit organization created a Digital Person in response to the Covid Pandemic, to advise smokers on the potential impact Covid-19 has on their lungs. Having built a deep empathetic understanding of how smokers feel, they are now deploying this Digital Person as a cessation service working with leading corporate brands to educate and aid smokers to quit.

5 <https://www.eweek.com/innovation/pandemic-impact-customer-experience-data-points>

6 <https://www.econic.co/blog/what-happens-when-you-neglect-innovation>

Empathy-driven data points in CX are the next gold rush in seizing competitive advantages. Those who will reap the benefit of the new competitive advantage realize that embedding a digital human at the center of their consumer/customer engagement will create a new form of the content flywheel. The more you invest in driving users to the digital person, the more customer engagements you will have. Each of these engagements gives you an immediate opportunity to cross-sell, upsell and provide issue resolution. They also provide a set of highly personalized, real-time data points on preferences, interests, and issues. This data is incredibly valuable for consumer segmentation and insight, understanding unmet needs and value creators, identifying relevant marketing content topics, and receiving product development feedback. This data loop enables continuous optimization and improvement in product and service to retain competitive advantage.

It's for these reasons that placing Soul Machines' digital people at the cornerstone of your Empathetic CX, and then investing in scaling it to your consumers/customers will create a competitive advantage and future-facing value. As Rowan cites, this is the definition of value-creating innovation.

Summary of key learnings in realizing competitive advantages through innovation

- “Innovation delivers future-facing revenue opportunities for clients, by leveraging emerging tech in creative new ways of generating value (and hence profits).” –David Rowan
- Empathy is the cornerstone for emotional CX that creates future-facing competitive advantage and value
- Despite being a proven value creator, there is an empathy deficit
- The next wave of innovation is using technology to deliver Empathetic Customer Experience
- Global brands are already investing and deploying Soul Machines digital people at scale to realize this advantage
- Realizing the competitive advantage needs continual investment in scaling and optimizing the innovation asset – market the asset, invest in the content, acquire more users, capture the data, inform the process, optimize the product
- Getting a deep and dynamic understanding of your consumer/customers needs, preferences and emotional states is the elixir for creating value
- This enables businesses to deliver highly personalized services informed by new, dynamic, customer data points that build long-term engagement, loyalty, value, and commercial growth

So where does that leave you?

Either...View Empathetic CX as an innovation tick box, repeat the same mistakes of the last 20 years, and pick your spot in the graveyard.

Or...invest over the long term in digital people as a value-creating asset at the center of your customer engagement and the competitive advantage is yours for the taking, leaving you to pick the spot for your conquistador statue.

About the Authors



Fergus Hay is the Co-Founder of marketing and fundraising advisory firm **Elysian Fields** for the venture-backed tech sector, as well as various advisory roles for tech businesses. Fergus has a proven track record in commercial transformation, product innovation and growth, with experience in North America, Asia and Europe. He is also Chairman of health tech business Vida Care, leading M&A and fundraising.

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Greg Cross is the Chief Business Officer of **Soul Machines** which he co-founded in 2016 with Dr. Mark Sagar to build a HumanOS for Artificial Intelligence and explore the future of human-machine cooperation. Soul Machines is at the cutting edge of AI research and re-imagining what is possible in the delivery and underlying economics of highly personalized customer experiences and specialized knowledge.

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Astonishing Digital People