

COLUMNS

## Memo to Apple: When delight becomes expectation, loyalty becomes uncertain

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*At sixes and sevens?*

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It may surprise you to realize, but it was only nine short years ago that Apple introduced the iPhone, an eon in tech-time. But with that introduction Apple set a very high expectation bar as well as a very fast pace for innovation and design for all smartphones to come.

The level that Apple set became the standard for "delight." One that kept users upgrading again and again, as well as enticing users of competing systems to defect to Apple even in the face of lower-priced offerings.

Every year Apple met, set or exceeded consumers' expectations for their ideal smartphone. And doing that kept consumers loyal and the brand very profitable. QED. Quod erat demonstrandum.

But then the competition reset category expectations.

Pushing buttons

Two years ago, Samsung introduced the first water-resistant smartphone. Earlier this year it introduced the two-camera lens system and LG introduced its version shortly thereafter.

Samsung had already developed greater screen resolution and had extended the screen to the edge of the phone, a trick of design that made the screen appear even larger.

Last month Apple unveiled its long-awaited iPhone 7. Yes, it has improved battery life and a dual-lens camera and it is water-resistant. It has removed the headphone socket from the bottom of the phone, which now requires wireless AirPods headphones or the supplied converter to use your traditional headset.

Apple still has its integrated, easy-to-use hardware/software, but that is not new. Neither is its legendary customer support infrastructure.

But questions regarding loyalty and customer defection potential abound.

What of the organic design that created the original category expectations and that currently drives nearly 40 percent of the loyalty in the category?

How likely is the new iPhone to engage customers both current and competitive?

Will smartphone users of all stripes find enough brand value in Apple's new version? And if not, will current iPhone users hold on to their existing devices longer?

How likely am I to lose my AirPods?

Magnificent 7?

To provide some insights into those questions, we measured the iPhone 7, as introduced by Apple, using our predictive engagement and loyalty metrics to compare the Apple 7 to earlier Apple loyalty measures collected in January of this year.

Back then Apple rated an overall 89 percent versus a category ideal configured at 100 percent which ranked Apple No. 1 but just 1 percent higher than Samsung.

At the time, Apple was seen by customers to best meet their very high expectations for the single category loyalty driver having to do with "Cameras, Apps and Multi-Media."

Apple also did very well when it came to "Brand Value and Customer Support," but did less well when it came to "Organic Design" and "Personal Connectivity," the two most-important loyalty drivers in the Smartphone category.

Optimally, the new iPhone 7 would raise the brand's ability to better meet the expectations consumers held for each of the four category loyalty drivers, thus increasing brand engagement and positive consumer behavior in the marketplace. QED.

Regrettably, the new assessments do not bear out that objective.

When it came to "Organic Design," the Apple iPhone 7 was rated significantly lower than January assessments, and only directionally higher for "Personal Connectivity." Thus are the vagaries of customer expectations, and the removal of traditional headsets, one can only suppose.

There was no change when it came to "Brand Value and Customer Support," which one might have guessed. It is Apple, after all.

The only significant increase was in the driver "Cameras, Apps and Multi-Media," and all together, looking at Apple's four-driver weighted average versus the ideal of 100 percent, actually resulted in a decrease of 2 percent for the Apple brand, or an overall loyalty and engagement rating of 87 percent.

To paraphrase Alexander Pope, "Hope springs eternal for all tech brands," but it is not necessarily accorded.

And, sure, Apple can count on the Innovators, the (Very) Early Adopters and the Apple Passionistas to line up for the iPhone 7, although we think it is fair to point out they account for only about 17 percent of the population. But that number doesn't come entirely as a surprise to us.

IN OUR ANNUAL survey of the most innovative brands in America this past July, Apple slipped from the No. 1 spot to No. 4.

It would appear that what was once seen to be iconic is now viewed as generic. And a brand that once delighted now battles to meet consumer expectations and customer loyalty, too. QED.



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