

Brand memories and the moments that matter for the Microsoft brand

Peak and pit moments in customers' brand memories predict brand love and downstream revenue.

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Executive summary

Microsoft's Customer & Market Research group (CMR) tracks nearly 20 portfolio brands, which enables a consistency in wording and audience-definition company-wide. Nonetheless, we continually challenge our assumptions and spark innovation by asking whether we are measuring the right things.

The perceptions of product brands and service brands are based on different experiences. So a historically product-oriented company like Microsoft that is moving to a service-based model must explore different brand KPIs.

Service experiences cannot achieve excellence unless they create certain moments that leave customers with memories filled with emotional delight. Recent scholarly work confirms that personal experiences strongly affect emotional brand connections, but only a few are encoded into long-term memory. Of the thousands of experiences we might have in a day, only a few are encoded into long-term memory. And we can only make decisions based on experiences that we remember. These peak (and pit) moments experiences tend to be the ones we remember, and they come in a variety of forms, including moments of elevation, moments of insight, moments of pride, and moments of connection. But how those apply to Microsoft is unknown.

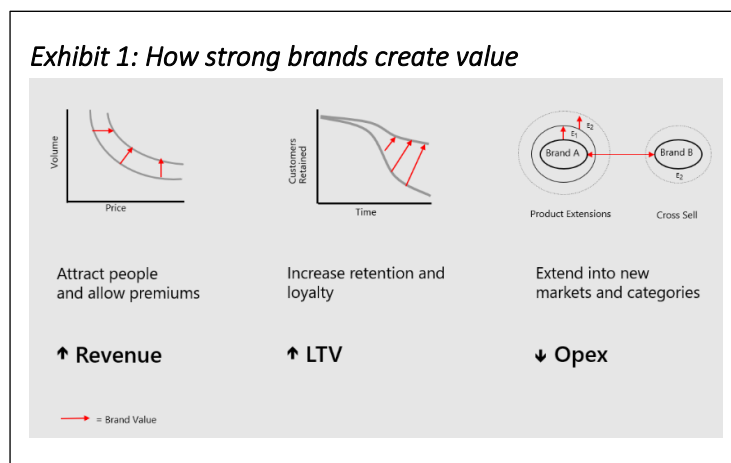
Microsoft now employs a brand-memory battery to detect the stories that stick with people as well as their positive or negative sentiment and the product and touchpoint involved. We report the findings of quantitative and qualitative development research done to understand base rates and model business outcomes.

Our early findings demonstrated the sensitivity of the brand-memory battery and helped us zero in on the types of peak moments among people using Microsoft Teams. We explore how engineers can create peak moments in products, how marketers can communicate them in campaigns, and how brand strategists and customer-experience architects can commemorate these moments of empowerment among customers.

Introduction: Why strong brands matter

In recent decades, global enterprises recognized that brands are far more than names and logos. Identity marks are only the beginning. They activate a rich network of knowledge, emotions, and memories in customers that collectively constitutes the brand meaning. Likewise, customers are not one dimensional; they are complex beings that respond based on a spectrum of factors, including emotional engagement, active involvement, positive associations, conscious evaluations, brand and message memorability, behavioral action, social sharing, and overall impact. Therefore, the more the meaning of a brand connects with the whole person, the stronger it is.

Strong brands are financial assets that affect P&L statements very directly. They allow for premium pricing and elevate customers' receptivity to upsell opportunities. They raise resistance to competitor offerings and lower resistance to category expansion, both of which reduce marketing costs. Strong brands retain customers for a lifetime, and as importantly, they attract and retain capital investment and employee talent by giving meaning to the work (see Exhibit 1).



This is why companies spend billions globally on tracking brand strength. Typical brand trackers measure the *funnel* of awareness, consideration, preference, and recommendation for a set of competing brands and the *perceptions* of the same brands on key attributes. The perceptions are often tied to the messaging and positioning goals in marketing campaigns (e.g., *innovative, easy to use*) and to key engineering investments in the product experience (e.g., *supports collaboration, enhances efficiency with AI*). At Microsoft, the Customer & Market Research group (CMR) tracks the strength of nearly 20 portfolio brands. This enables a consistency in wording and audience-definition company-wide.

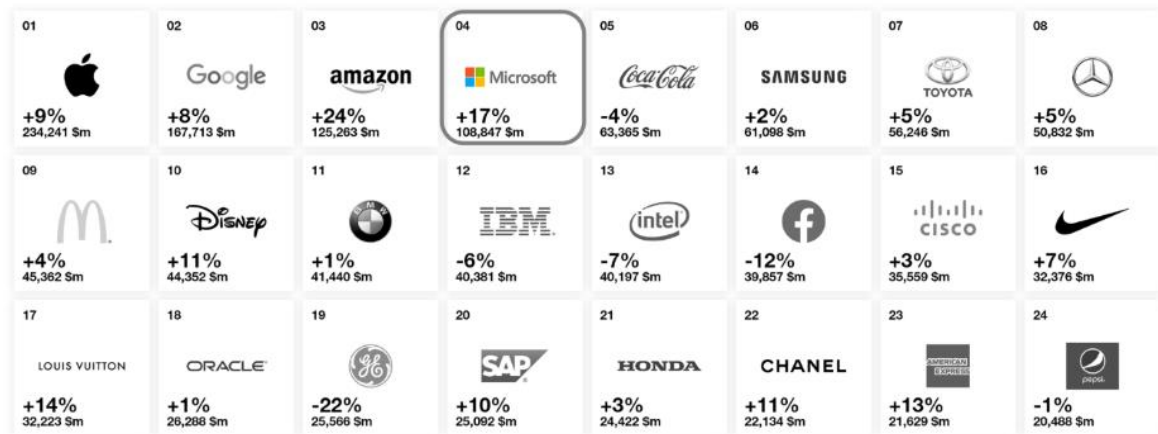
But with such a large investment, it is important that we continually challenge our assumptions and spark innovation. Each year we ask ourselves: "Are we really measuring the things that matter about brands?"

Product and service brands are different in customers' minds

For most of Microsoft's history, its portfolio has consisted of *product brands* rather than *service brands*. Academics since Berry (2000) have argued that the product or service orientation affects the basis on which brand perceptions are built. Product brands are influenced most by the product quality and the user experience. At the other end of the spectrum, pure service brands have no product, but only interactions with a company's employees (think of a therapeutic massage or a courier service). It's clear that service brands build their brand strength on the service experience.

In 2019, a report published by Interbrand showed Microsoft as the #4 top brand globally (see Exhibit 2). However, when Interbrand ranked brands by their customer experience, Microsoft came in at #25 (see Exhibit 3). An opportunity for growth here seemed clear, so we began to explore the strategies world-class service brands (e.g., Disney, Hilton, Costco, and Starbucks) use with their customers.

Exhibit 2: Top brands



Source: Interbrand, 2019

Exhibit 3: Top customer experience brands



Source: Interbrand, 2018

We learned that achieving excellence in a service experience requires a different emphasis than achieving excellence in a product experience. Excellent products remove friction, which in our categories include drags on the user experience like downtime, unresponsiveness, and UX cognitive load. Services also remove points of friction, such as wait time, but they cannot achieve excellence unless they focus on certain moments that leave customers with memories filled with emotional delight. Not all moves to service brands leave products behind. In fact, some have combined both. For example, brands such as Peloton and Casper have added a service experience layer in typically product-centric areas.

We wondered if our overall customer experience should take a page from the services playbook. To paraphrase an insight from *The Power of Moments* (Heath & Heath, 2017), should we be more than *frictionlessly forgettable* and aspire to also be *delightfully indelible*?

The psychology of brand memories

There are as many theories of brand as there are chapters in an introductory psychology textbook. Some emphasize cognitive associations, others emotional connection; still others emphasize identity match and relationship quality. At Microsoft, a whole-person perspective is emerging that sees credibility in all these views, so long as no single view dominates and no aspect of human psychology is overlooked.

In recent years, we have joined brand scholars in looking closer at the under-studied importance of **memory**. Returning to Keller's (1993) foundational definition of brand image as "the brand associations held in consumer memory," many researchers have begun to ask themselves what moments are in fact encoded into long-term memory - when it is clear that so many moments are not.

Nobel laureate and founder of behavioral economics Daniel Kahneman (2011) argues that most experiences are forgotten, and that the *peak-end bias* strongly influences those that are remembered. His basic notion is that primarily "changes, significant moments, and endings" are available to us later, but this version of our past "answers the question *how was it on the whole?*" It keeps score and it is the one that makes decisions." Heath and Heath (2017) apply this to customer services: "What's indisputable, is that when we assess our experiences, we don't average our minute-by-minute sensations. Rather, we tend to remember flagship moments: the peaks, the pits, and the transitions."

Cognitive biases such as this might explain why large investments in removing friction in software (i.e., launch latency), service calls (i.e., wait time and forwarding), or the purchase journey (i.e., checkout steps) often have little impact on brand perceptions including the funnel, perceptions, and likelihood to recommend. Negativity biases might mean these investments do not raise brand metrics (although a lack of investment lowers them), and memory biases might mean that customers don't even remember their experiences with these improvements. They might encode a general sense that a brand is *easy to use* but this perception might fall short of producing the benefits enjoyed by world-class service brands, such as *advocacy*, *loyalty*, and *receptivity* to new offerings.

Two recent studies on the psychology of branding (Ratnayake, Broderick & Mitchell, 2010; Herz & Brunk, 2017) have confirmed that customers' memories of events that they personally experienced (i.e., *autobiographical episodic memories*) are stronger predictors of emotional attachment to brands than are memories of brand facts (i.e., *semantic memories* like the brand name, logo, product line, campaigns and history). "It is these episodic brand memories that have the potential to strongly connect the brand to a consumer and even make the brand a part of that individual's life by forming a brand relationship." (Herz & Brunk, 2017).

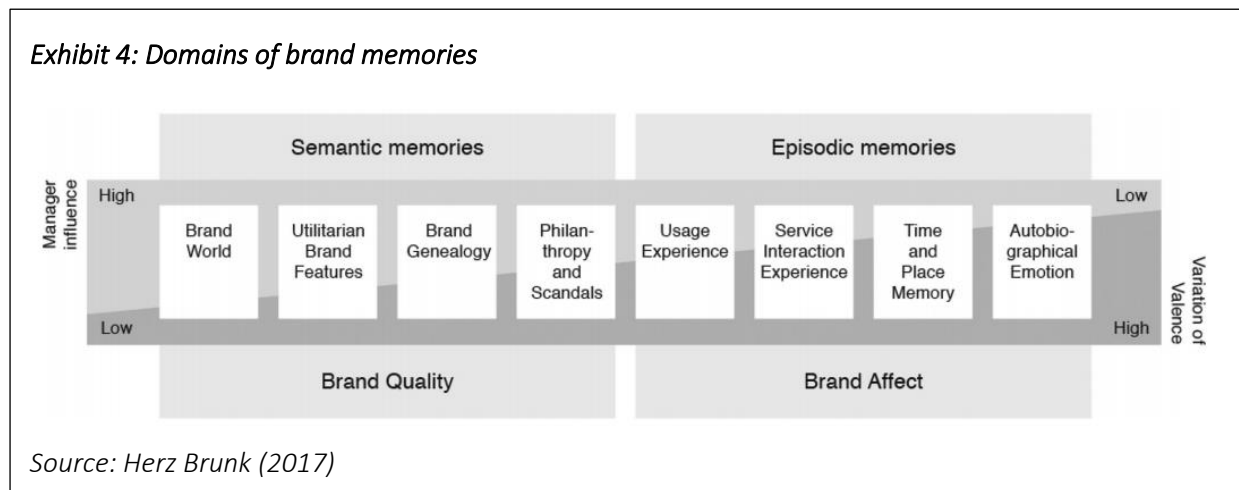
Two final requirements seem necessary to differentiate a brand memory from more transactional memories. Customers need to feel that the event they remembered reveals something about the brand as a whole. This is similar to the notion of “globality” in the psychology of causal inference (Kelley, 1973; Abramson, Seligman & Teasdale, 1978). Some events, such as audio problems during an important online meeting, may well be unforgettable, but they might not be attributed to the brand as a whole. Rather, they could be acknowledged as the result of a specific circumstance or point in time. Other events, perhaps like one’s experience with a sales motion or a customer-support call, might be attributed more globally to the brand. This reflects a subjective sentiment that is as important as the positive or negative valence of the memory.

Finally, a customer needs to encode the identity of the brand in their memory (i.e., the name or logo). A customer who says, “I had an unforgettable online meeting today, but I don’t know what platform it was on,” will be unlikely to recommend it to peers or to choose it from a competitive set later.

Hypothesized types of peak and pit moments

As we embarked on measuring brand memories involving Microsoft, we looked to the work of scholars to help us predict the types of events people would encode in their memories.

Herz and Brunk (2017) offer a simple taxonomy with important implications. They argue that among



episodic memories, we should expect to see *usage* experiences, *service* experiences, and *events* where the customer was or was not involved. As discussed, autobiographical events spark more emotional reactions, but they become increasingly challenging for marketers to influence (see Exhibit 4). We will return to this point later.

Heath and Heath (2017), in their book *The Power of Moments: Why Certain Experiences Have Extraordinary Impact*, explore customer experiences across a variety of industries, including hospitality, healthcare, education, and packaged goods. They offer these more granular types of peak moments (see Exhibit 5).

Exhibit 5: Types of peak moments

1. **Moments of elevation:** sensory / emotion
A hotel with the Popsicle Hotline



2. **Moments of insight:** uncovered “aha” moment
A camera allows you to take action photos and vid



3. **Moments of pride:** being recognized
A graduation ceremony



4. **Moments of connection:** feeling of a social bond
A sharing campaign



Source: Heath & Heath (2017)

- **Moments of elevation** in which brands break the script or build sensory or emotional peaks.
- **Moments of insight** in which brands help customers make breakthroughs in thought, realize what later seems obvious, and transform pain into growth.
- **Moments of pride** in which brands recognize their customers' achievements and commemorate their milestones.
- **Moments of connection** in which brands are unexpectedly intimate with their customers, deepening their ties and creating shared meaning.

These categories of moments provide a useful guide, but how they apply to Microsoft customers is an open question. Our next step was to develop a listening system to better understand their peak moments.

Methods and validation research

After conducting both qualitative and quantitative research, Microsoft is now implementing a brand-memory battery across its major commercial and consumer surveys. The wording and scoring of the battery was determined to give Microsoft a competitive advantage, so it was not approved for reproduction here, although we can report our early validation findings.

Tell us a story. Thinking about your experiences over the last six months, what is your most vivid [positive or negative] memory involving [brand]?

Our first validation study in September 2019 was fielded to 3,600 respondents of representing IT Pros, Business Roles, Information Workers, and Consumers. We randomly asked about memories for Microsoft, Office 365, and various Office apps such as Excel, Outlook, and Word. We also asked about competing brands. A second study was conducted in June 2020 study among 6,000+ consumer Office 365 customers for whom we could analyze their self-reports with data on their usage and spending across 10+ consumer products and services.

In general, the brand-memory battery assesses positive and/or negative memories for brands at various altitudes (company brand, suite brands, app brands) and for competitors. It also assesses their valence, globality and latency. For the analyses shown below, peak and pit moments are attributed to the brand as a whole and vary in their valence.

This line of inquiry is intentionally very different from and complementary to in-the-moment ratings of satisfaction or recommendation (e.g., “How satisfied are you with ___?” and “How likely is it you would you recommend ___ experience to your peers?”) Those metrics do not assume that the experience will be remembered. This metric does the opposite; it assesses the stories that stick with people and are available for later recall.

The respondents who are asked to complete the brand-memory battery should generally be those who use the brand (as confirmed by either telemetry or self-report). This filter will almost certainly produce more user and product experiences relative to buying or support experiences, as Berry (2000) predicts.

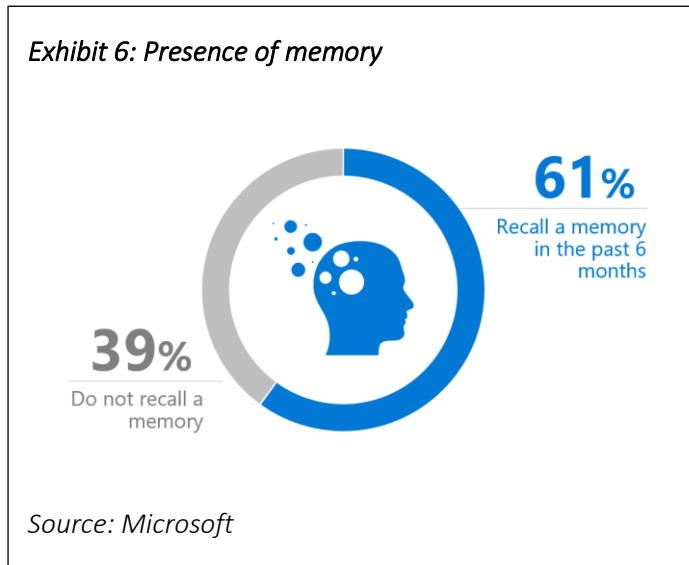
We have found that memories in *the last six months* amply predict brand love and revenue lift as reported below. When we substitute *your lifetime* in the question, we find both peak and pit moments are more common since they accrue over time. When this is done, it is important to assess how long ago they occurred to allow you to statistically control for the tenure of use.

We recommend against assessing brand memories multiple times in a survey due to the risk of lower-quality responses. If it is fielded a second time, expect strong sequence effects affecting both cognitive biases (specifically the anchor-and-adjust effect) and respondent fatigue. Thus counterbalancing is a must.

The verbatim answers to the brand-memory battery will be of interest to many stakeholders in your company, so we recommend posting them in a PowerBI for easy filtering.

Early findings

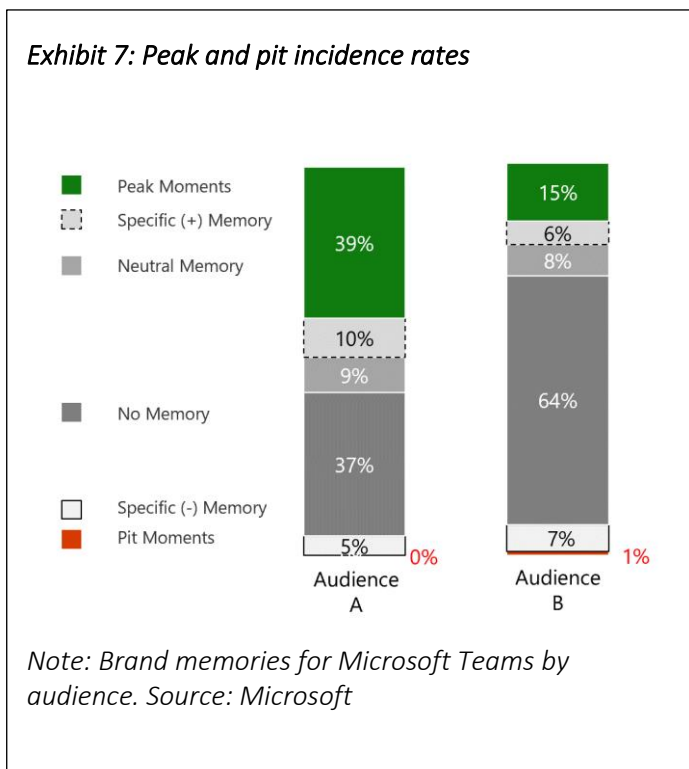
Presence of any brand memory



The overall base rate of no brand memories in the past 6 months was 39% (see Exhibit 6). This rate was replicated in a June 2019 study of 6,000+ consumer Office 365 customers, with a rate of around 45%.

This base rate of no memories was acceptable to us, since it is both a variable of interest and the opt-out helps enormously to ensure rich, high-quality verbatim responses. It is also a metric that can improve with concerted effort.

Incidence of different types of brand memories



To demonstrate the sensitivity of the brand-memory battery, here we show the incidence of peak/pit moments and other brand memories for **Microsoft Teams** (see Exhibit 7). These are compared across two audiences shown here as *Audience A* and *Audience B*.

Among *Audience A*, the rate of peak moments with Microsoft Teams rises to 39%, and the rate of non-memories drops to 37%. No one in *Audience A* reported pit moments. By contrast only 15% of *Audience B* reported peak moments for Microsoft Teams and fully 64% have not yet formed vivid brand memories. In our data so far, *Audience A* represent very favorable brand memories, and *Audience B* is closer to the base rates.

These data give a sense for the variability one might observe in peak moments for a relatively newer product like Microsoft Teams. This variability bodes well for detecting differences between competitors, brand altitudes, audiences, or scenarios. The base rates have room to move as goals are set and programmatic experiments are run. We are still collecting trended data, so we are keen to

learn how volatile these metrics will be over time. Our preliminary plan is to collect the brand-memory battery twice a year.

Types of peak moments

A closer look at the types of peak moments produced by Microsoft Teams among Office 365 customers generally supports the taxonomy from Heath and Heath (2017). There were clearly peak moments related to pride and connection, as well as “aha” moments and moments of sensory elevation (see Exhibit 8).

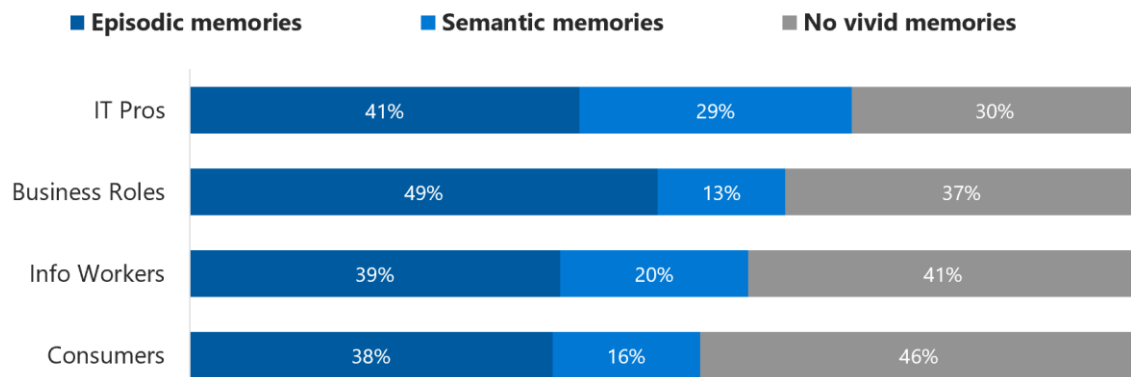
Exhibit 8: Types of peak moments

Product	Peak moments
Teams	<p>Moments of pride</p> <ul style="list-style-type: none"> + Adhoc presentation hosting 32 orgs in our tenant + Awarded Ph.D. + Healthcare programs go-live date kept <p>Moments of connection</p> <ul style="list-style-type: none"> + Live saver for our company during COVID; fun, felt connected + Student joined from hospital and class cheered, mom beamed <p>Moments of insight</p> <ul style="list-style-type: none"> + Editing live files while hosting video/audio; sharing screens + As participant, installation and barrier to join was nil <p>Moments of elevation</p> <ul style="list-style-type: none"> + Quality, sound, video

Note: Brand memories for Microsoft Teams. Source: Microsoft

We asked independent coders to categorize the memories by whether they were episodic or semantic, and we found most of them to be episodic (see Exhibit 9). Interestingly, IT Pros encoded more semantic facts about technology brands relative to other audiences, likely due to more education and exposure to specs and other information. Reading the verbatim closely, we found that most episodic memories were autobiographical in nature (few events were recalled that happened to other people).

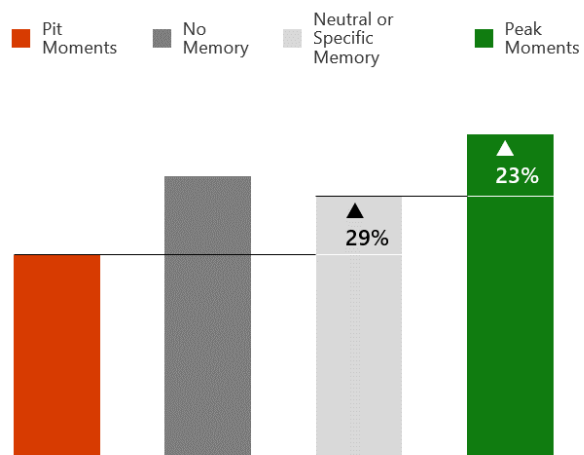
Exhibit 9: Incidence of memories



Key outcomes of peak moments

What are some of the business outcomes of having peak or pit moments? In the June 2019 study of 6,000+ consumers of Office 365, we were able to analyze their spending across 10+ consumer products and services, including subscriptions, search revenue, and store sales (see Exhibit 10). We found that consumers with peak moments for the Microsoft company brand spent 23% more than those with neutral or specific brand memories. And those with neutral or specific memories spent 29% more than those with pit moments. This was corroborated by parallel differences in the days of use (DOU) each month of Office 365 applications, and in the number of distinct consumer apps used.

Exhibit 10: Revenue per 28 days across 10+ consumer products

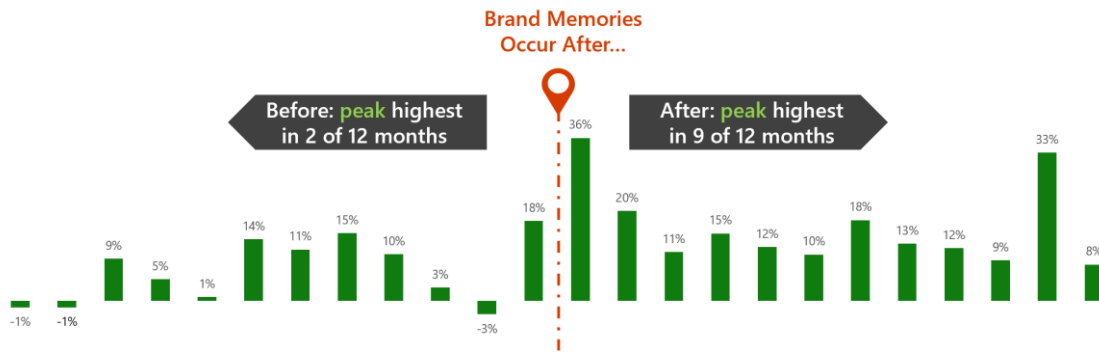


Note: Brand memories for Microsoft company brand. Source: Microsoft.

On average, consumers with peak moments used Office 365 over 3 more days each month, and they used one more app in the portfolio, relative to those with pit moments.

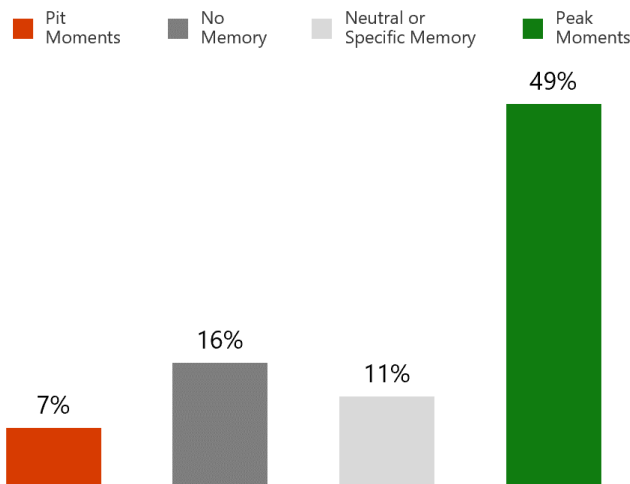
Our analysts are still exploring the mechanisms by which peak and pit moments might cause increased usage and spending. The initial data are encouraging. The differences in usage and spending between peak and pit moments tend to happen *after* the moment occurs. Prior to that, their spending is comparable (see Exhibit 11).

Exhibit 11: Brand love peak and pit memories



Note: Delta in consumer spending between peak and pit memories for Microsoft company brand.

Exhibit 12: Brand love peak and pit memories



Note: Top- box (TB) brand love on a 5-point scale for Microsoft Teams by brand memories for Microsoft Teams. Source: Microsoft.

But in both studies, we are already seeing that brand love may be a key mechanism. As Exhibit 12 shows, for Microsoft Teams, having a peak moment is a dramatic predictor of brand love. This aligns with the theory that autobiographical episodic memories are highly tied to the emotional connection to a brand. In a recent mediator analysis, when we controlled for brand love, the relationship we observed between peak/pit moments and consumer spending was rendered non-significant. So while increasing brand love is its own objective for brand strategists, our initial analysis also suggests that peak moments that

produce brand love in turn increase usage, ecosystem involvement, and ultimately revenue.

Building a strategy around peak moments

According to Heath and Heath (2017), “Peaks don't emerge naturally; they must be built.” Our research at Microsoft encourages the conclusion that there may be a significant ROI for efforts to build more peak moments into customers’ experience with our products and services.

We see three paths toward this goal, each specific to the type of peak moment that customers experience:

1. Design and engineering can **create** peak moments in the user experience in the form of elevating and delightful features.
2. Marketing and PR can **communicate** peak moments with campaigns and events that connect with customers on a whole-person level.
3. Engineering, marketing, and customer-service can **commemorate** peak moments that occur organically when our customers are empowered to achieve more.

Path 1: Creating peak moments begins with an intentional investment in features that will create positive and lasting brand memories. We agree with Heath and Heath (2017) who conclude that enterprises must never cease “filling potholes,” but both our data and the case studies in *The Power of Moments* suggest there is substantial ROI to investing in peaks as well. World-class companies must pursue both forms of excellence in operations, UX, and support: *frictionlessly forgettable* usage and interactions, as well as *delightfully indelible* moments connected to the brand.

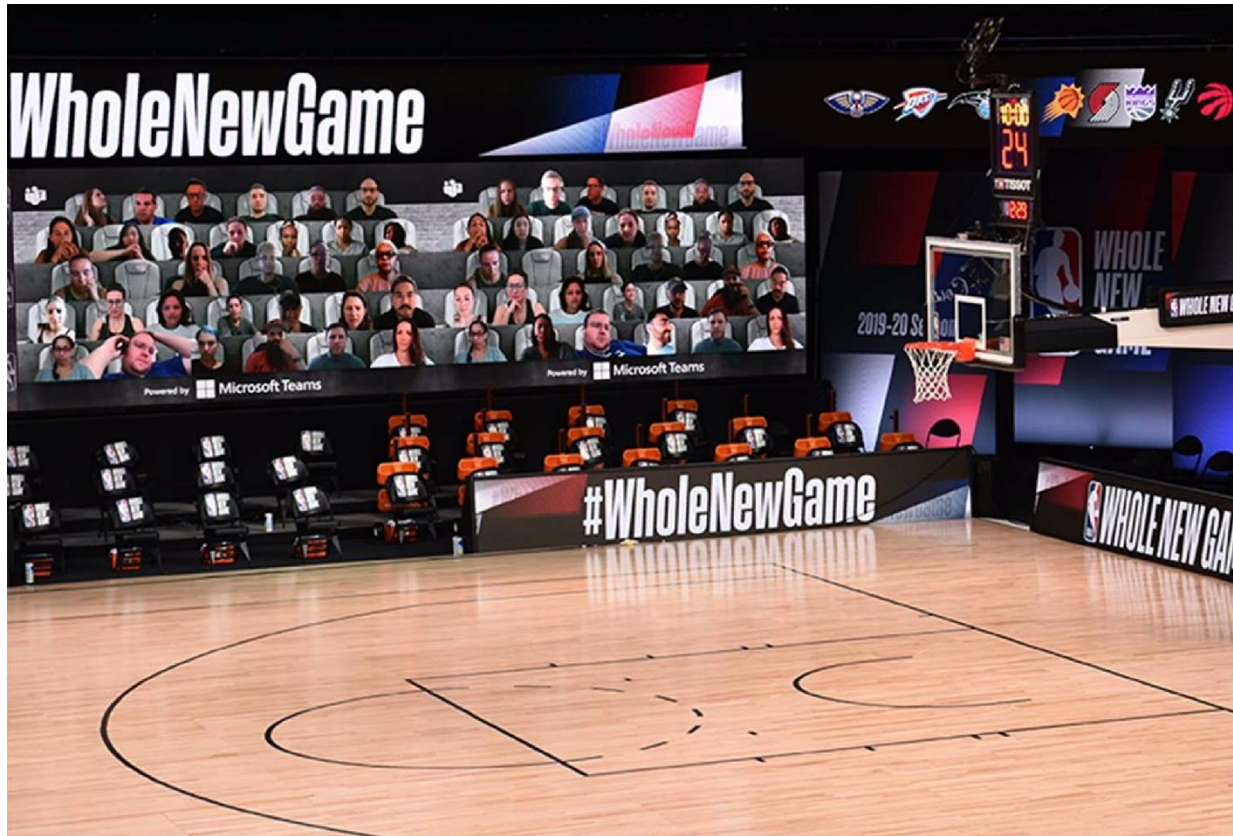
Microsoft Teams is already making peak-moments investments that we expect to be captured in the brand-memory battery very soon. In 2020, Microsoft Teams launched **Together mode** in the meeting experience. **Together mode** uses AI segmentation technology to bring people together into a shared background like a conference room, coffee shop, or arena. This went far beyond coming into parity with competitors with a gallery view. The feature creates moments of connection among customers when they are remote from one another and ushers in new thinking in how mixed-reality can foster a sense of togetherness.



Often, the hallmark of efforts to engineer peak moments is the sense that we “didn’t have to do it, but we’re glad we did.” Another peak moment for customers using Microsoft Teams came in the form of a partnership with the National Basketball Association in the US. Starting in summer 2020, the NBA outfitted each game court with 17-foot-tall LED screens that wrap three sides of the arena. These “stands” are populated with more than 300 cheering fans who will join the game using Together mode in Microsoft Teams. Alongside a view of their fellow fans, participants can watch a live feed of the



game right within Microsoft Teams. This elevates the sensory moment for fans as well as creates a moment of connection. We in the CMR research group fully expect to see the brand memory “attended an NBA game through Microsoft Teams” in an upcoming wave.

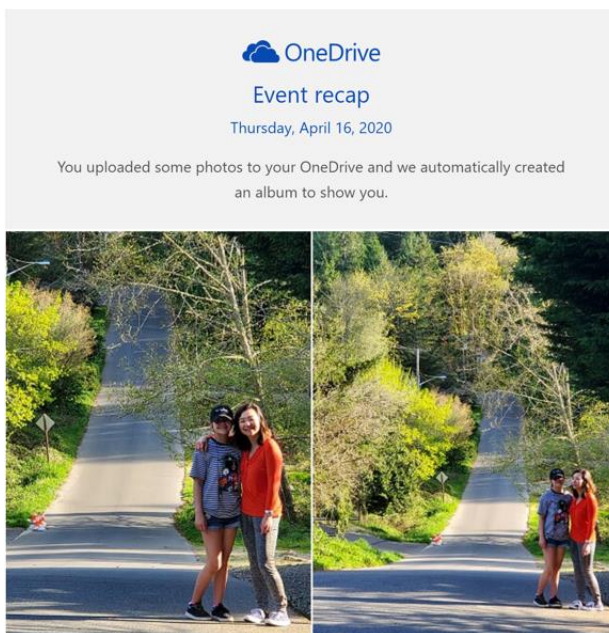


Path 2: Communicating peak moments happens through our events and paid messaging. All of the theorists on brand memories agree that it is not as easy for advertising to be encoded into long-term memory as it is for product or service experiences. This is why branding strategists need to lean in to authentic emotional messages, communicate compelling story arcs, and optimize the spots through research to appeal to the whole person. The 2019 Super Bowl ad “We All Win,” is a good example. The two-minute slot told the stories of young gamers with disabilities who came together to play using the Xbox Adaptive Controller.

Herz and Brunk (2017) found that philanthropy and scandals often become the basis of brand memories. PR professionals work hard to amplify the former and avoid the latter. For researchers, these might provide a sort of benchmark for paid and owned communications to beat in competing for brand memories.



Path 3: Commemorating peak moments is a novel approach that acknowledges that autobiographical episodic memories – which are the most emotionally powerful brand memories - are by nature organic and out of direct control of brand managers. Some companies seek to elevate customer touchpoints to peak memories. Retail has strategized around the “exit memories” as customers leave the checkout, hospitality builds in memorable touches, and psychologist Daniel Kahneman even recounts scenarios in healthcare where patients are kept a little longer to write a new “ending” to their story of unpleasant procedures. But to remain authentic, these efforts can only go so far, and rarely at scale.



To “commemorate” a brand memory, you don’t create them, but instead you recognize and celebrate them. An example is a feature of Microsoft OneDrive, where for those who opt-in to automatically uploading photos taken on their smartphones, they can receive “Event recaps” later by email. Designed carefully, these emails can help customers re-experience joyful emotions and encode their own meaningful events into memory in a way that is authentically empowered by a digital service. As Heath and Heath (2017) put it, some peak moments of recognition do little more than to “give shape to time.” Commemorating brand memories may be as simple as acknowledging the importance of an event as if to say “this

happened and it matters.”

Takeaways

World-class service brands understand that their customers' stories of their relationship with the brand matter greatly, and as customers look back in memory, that story is comprised of the emotional peaks and pits more so than everyday experiences. To invest in peak moments, we need to understand the ROI, and the data presented here joins the growing body of research confirming this opportunity. However, as is often said at Microsoft, you can't improve what you don't measure. The brand-memory battery was designed to fill that gap.

As we learn more about brand memories, we will face both opportunities and challenges to create, communicate, and commemorate them at scale and with empathy. Microsoft exists to empower everyone and every organization on the planet to achieve more, so we know peak moments are happening for our customers. What more could we do to recognize and celebrate them?

As a researcher at your company, we invite you to help us evolve the measurement of the brand memories construct. Several of our partner agencies are already analyzing brand memory data alongside us. Microsoft does not endorse any particular agency, but we wanted to thank those who have journeyed with us so far.

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