Customer Engagement – the Next Level Measure

Introduction

The concept of Customer Engagement (CE) has been explored for years, but with increasing corporate Customer Experience (CX) efforts and increasing channels for customer interaction, understanding WHAT Customer Engagement means, WHY it matters, WHO EXCELS and WHY, and how YOUR organization can DRIVE HIGHER LEVELS of Customer Engagement has never been more important.

To answer these questions, CX Solutions and Voice Crafter recently collaborated on a Comprehensive Benchmark Study of Customer Engagement. We surveyed 3,300 consumers regarding their perceptions of and experiences with multiple brands across six different industries. The survey captured a wide array of measures, including:

1. Overall satisfaction, loyalty, and brand engagement
2. Perceptions of brand characteristics and reasons for brand preference/usage
3. Evaluation and memorable aspects of brand experiences
4. Problem experiences, response, and resolution
5. Key touch points and interactions with brand personnel

This paper summarizes key findings of our Benchmark Study. We believe the findings will be of vital interest to anyone who is attempting to:

1. Build a business case for investing in customer engagement
2. Measure and manage customer engagement
3. Determine priorities for improving customer engagement
4. Identify and embrace customer engagement best practices

However, before understanding how to leverage Customer Engagement, one must understand WHAT IT IS and WHY IT MATTERS.
What is Customer Engagement?

Many attempts have been made to define customer engagement. One recent article shares 28 different definitions of the term that have appeared in management journals, white papers, and other business publications. Each of these definitions differs from the others with respect to the element of customer engagement that is emphasized and/or the exact language used. However, taken together, all of the definitions seem to suggest that customer engagement is comprised of two critical elements:

- Affinity
- Activation

Affinity is defined as “a liking or attraction to something, a feeling of closeness, and a quality that makes people or things well-suited to each other.” The importance of a customer’s affinity for a brand seems to be at the heart of Applebaum’s definition, which states that customer engagement includes “both rational loyalty (including intent to repurchase and intent to recommend) and emotional attachment (including confidence in the brand, belief in its integrity, pride in the brand, and passion for it.)”

Measures of affinity were incorporated into our Benchmark Study. Customers were asked how likely they would be to repurchase and recommend a brand to others. They also were asked about their emotional attachment to a brand. For example, customers of Chick-fil-A were asked to indicate the extent to which they agreed with such statements as:

“Chick-fil-A is special to me.”

“I feel proud to be a Chick-fil-A customer.”

“I’d go out of my way to purchase from Chick-fil-A.”

“I’d still use Chick-fil-A even if it wasn’t the lowest price option”

The other key component of customer engagement is activation. Activation is the behavioral side of customer engagement. It includes repeat purchasing and patronage, but activation also includes “behavioral manifestations that have a brand or firm focus, that go beyond purchase.” Examples of additional behaviors that reflect engagement include actual referrals, following and/or posting about a brand on social media, actively attempting to organize and participate in brand-based communities, and participating in brand-sponsored public or charitable events.
Measures of activation also were included in our Benchmark Study. For example, Bank of America customers were asked “have you ever actually recommended Bank of America to a family member, friend, or colleague?” They were also asked if they had done such things as:

- Visited Bank of America’s website
- Contacted Bank of America by phone
- Followed and/or “liked” Bank of America on Facebook and Twitter
- Posted a blog or review about Bank of America
- Participated in Bank of America-sponsored contests or promotions
- Provided survey feedback to Bank of America
- Interacted with others about Bank of America

Thus, we approached customer engagement as both a psychological and a behavioral construct. In effect, affinity is what holds customer attention and keeps customers focused on a brand. Activation takes the form of continued transactions and interactions with a brand, as well as attempts to get and keep other current/potential customers engaged with that brand.

**Why Should Companies Care about Customer Engagement?**

With so many concepts (e.g., satisfaction, loyalty, etc.) and so many metrics (e.g., Net Promoter Score®, Customer Effort Score, etc.) from which to choose, why should organizations focus on Customer Engagement?

This is a fair question. Our answer is simple: **Customer Engagement may impact business results in more ways than satisfaction, loyalty, or related constructs and measures.** It’s true that highly engaged customers continue to purchase from or do business with a brand, and they recommend the brand to others via word-of-mouth and/or online communications. However, highly engaged customers also exhibit a variety of other behaviors that go beyond the ones just mentioned. These additional behaviors include things like:

- Helping to shape the brand itself, via suggestions on how to improve a customer’s experience with the brand, and/or by coaching other customer’s on how to get more from their respective brand experiences
- Providing positive feedback to employees and brand representatives, which can boost morale and lead to improved employee/partner job satisfaction, retention, longevity, and productivity
- Making a brand an integral part of the customer’s own identify and lifestyle (for example, think of an individual who has had a Harley Davidson trademark tattooed on a highly visible part of his/her body)
- Actively building and engaging in brand-based communities, or participating in brand-based promotions and events

This expanded repertoire of customer behaviors is critical to those who view Customer Engagement as a distinct construct: Repurchasing and continued transactions are just the start. As one team of
researchers put it, “customer engagement may be defined as a customer’s behavioral manifestations that have a brand or firm focus, beyond purchase, resulting from motivational drivers.”

Throughout the remainder of this paper, our references to “highly engaged customers,” will be based primarily on brand affinity measures. However, consistent with our conceptualization of customer engagement, we will share numerous results that demonstrate how affinity is strongly related to customer activation.

Engagement and Customer Behavior

The results of our 2016 Benchmark Study of Customer Engagement reveal that highly engaged customers exhibit many of the “loyalty” behaviors described earlier.

For example, highly engaged customers are 3X times more likely to repurchase – and to be willing to recommend a brand – than those that are not highly engaged.

It is not just intention to buy and recommend that is significantly impacted. For those industries (e.g., airlines, restaurants, retail) in which a customer is likely to use several brands on a routine basis, we asked customers what percent of their purchases go to each company in the industry (or a company’s share of their wallet). Customers who are highly engaged with a company report significantly higher share of wallet vs. not highly engaged customers.

And, highly engaged customers do not just “intend” to recommend; most actually have recommended the brand significantly more than customers who are not highly engaged.

So, to reiterate, highly engaged customers are loyal customers, in thought (intention) and in action (buying and recommending).

But the story doesn’t end there.
Highly Engaged customers also use multiple available channels to stay connected to a brand and brand-based communities. Highly engaged customers are more likely to: visit the company’s website, follow and/or “like” the company on Facebook, and follow the company on Twitter.

Highly engaged customers not only are more likely to use the above channels to stay connected with a brand and its communities, but also are more apt to communicate about the brand via social media. Of those who “liked” the company on Facebook, 62% of highly engaged customers reported posting something on the company’s Facebook page, versus only 35% of other customers. Thus, along with recommendations made via word-of-mouth, highly-engaged customers also help build a brand through what CX expert John Goodman likes to call “word of mouse.”

When they reach out to a company, highly engaged customers also differ from other customers with regard to the type of feedback they provide. As illustrated to the right, highly engaged customers are more likely than others to contact the company to provide positive feedback. The latter finding is important because research has demonstrated that positive feedback from customers can contribute to improved employee satisfaction and engagement, which in turn, can help drive improved productivity and financial performance.

Thus, it should be increasingly clear why Customer Engagement matters: Customer Engagement is good for a brand not only because highly engaged customers keep doing business with and promoting a brand, but because Customer Engagement increases and sustains a customer’s physical and psychological “presence” in his/her relationship with a brand. This, in turn, appears to generate a number of “downstream” business consequences and benefits to a brand that go beyond repeat purchases.
Who Excels at Customer Engagement?

So clearly Customer Engagement matters, but who excels at it? Who are the “Customer Engagement Leaders”? 

As expected, engagement levels vary significantly by Industry, with “high touch” industries (Airlines & Supermarkets) having the highest percentage of Highly Engaged customers, and TV/Satellite/Internet and Wireless Providers at the bottom of the list. The percentage of customers Highly Engaged by Industry is shown below:

However, within each industry, companies do not all fall together – there are some standouts (see chart below). For example, as an industry, Quick Service Restaurants are in the middle of the pack, but Chick-fil-A is at the top with 51% of their customers in the highly engaged category, while McDonalds falls near the bottom of all industries and firms. Clearly the rankings are not driven by industry alone – the top companies, Chick-fil-A, Southwest Airlines, and USAA are doing something different to set them apart from other companies in their industry.
What Drives Customer Engagement?

Why is Customer Engagement higher in some industries and for some brands? What is it about Customer Engagement leaders that make them so effective in engaging their customers? What qualities enable some brands to rise above the rest of the market place?

Three key elements can be identified when looking at high CE companies; they emphasize customer service with their employees and staff, utilize technology to maximize customer engagement, and excel in responding to critical incidents when they arise. Each of these three elements is expounded upon in the next sections to demonstrate their effectiveness in the modern market place.

Employee High Touch Service

The first key differentiator is that high engagement companies emphasize the high touch aspects of the customer experience, equal to, or even above product and price features. To illustrate, let’s look at Chick-fil-A.

In 1999, upstart Chick-fil-A had just 9% share of the quick service chicken market. KFC was the leader among all chains with 40% market share. Times have changed.

Today Chick-fil-A is the category leader, with 26% market share compared to KFC’s 22%. It generates more revenue per outlet than any quick service restaurant chain in the U.S., and more than three times as much revenue per outlet as rival KFC. Chick-fil-A does this despite the fact that KFC has more than twice as many locations, and is open for business 52 more days per year.7

So how did Chick-fil-A manage to overtake its competitors to achieve financial and market performance leadership?

Many reasons have been given, including a differentiated menu, quality of food offerings, clever marketing and advertising campaigns, and company beliefs and values. 8

One additional factor in play: Chick-fil-A is the industry leader in Customer Engagement, and one of the top Customer Engagement brands in any of the sectors examined.

At this point, cause-and-effect cannot be determined. However, Chick-fil-A’s Customer Engagement leadership probably has contributed to its achievement of positive business results:

1. Fifty-one (51) percent of Chick-fil-A customers surveyed are highly-engaged with that brand, compared to only 31% for KFC.
2. According to our survey, on average, Chick-fil-A’s share of all quick service restaurant visits is 31%, compared to 22% for KFC. Note that these figures generally are consistent with the market share numbers cited earlier.

Interestingly, when customers rate Chick-fil-A and KFC on basic satisfaction attributes, little or no difference is seen when it comes to things like value for price paid, food quality and variety, or convenience of location. On the other hand, when it comes to the "high touch" elements of the
customer experience, Chick-fil-A bests its biggest rival. Specifically, Chick-fil-A receives significantly more favorable ratings than KFC on:

1. Customer service
2. Staff and employees
3. Making me feel like a valued/important customer

Furthermore, when asked "what one aspect of your experience with (Chick-fil-A or KFC) stands out the most, and why?" 33% of Chick-fil-A customers mention something positive about customer service and/or staff, compared to only 11% of KFC customers.

Simply put, customers engage with brands whose employees attempt to engage with them. The quick service restaurant industry is full of companies having outlets that are conveniently located, provide good food and beverages, and generally speaking, do so quickly and accurately. These are the "table stakes" required to play in this industry.

Chick-fil-A does all of the above. However, the brand achieves Customer Engagement leadership largely because of how its employees treat and engage with customers. Chick-fil-A excels at high touch – and customers notice and remember.

Customer Friendly Technology

Another key differentiator of High Engagement companies is their use of technology to maximize customer engagement and make it easier for the customer. To illustrate this differentiator, let’s look at USAA.

USAA clearly rises above all other companies in their industry, and is ranked right after Chick-fil-A and Southwest Airlines with over half of their customers as highly engaged. The next highest ranked insurance company was AAA, with about 35% of their insurance customers highly engaged.

As the survey results demonstrate, most members feel like a valued USAAA member, with 92% indicating that they have recommended USAA to a family member, friend, or colleague, higher than all other companies we measured. Further, USAA members “trust” in USAA at a significant higher level than seen with other companies, as illustrated below.

*Difference is significant at or beyond 95% level of confidence*
As with other Customer Engagement leaders, USAA’s “culture of service” and the way their representatives interact with and engage with their members’ matter. However, there is another reason for USAA’s Customer Engagement leadership: they are also “easy to do business with.”

How does a company with no face to face interactions (no walk-in locations) and with services provided only via remote channels (telephone, internet, mobile, etc.), excel at being easy to do business with? The answer, in part, centers on how USAA uses technology. **USAA excels when it comes to the use of technology to interact with their members** (see Figure to the right).

USAA management clearly believes in the importance of technology, and is committed to using it to serve members.

“We have made it part of our commitment, part of our journey, to truly embrace the opportunities offered by new technologies and not just leave them on the floor.” – Kevin Bergner EVP and CAO

“Whatever devices the members have, we need to be there. It doesn’t matter it is’ only a small portion of our membership. We’re going to be there for them.” – Greg Schwartz

In August 2009, USAA led the industry in introducing Deposit@Mobile that enables members to take a picture of their check and immediately deposit it into their USAA account. Year after year, USAA provides industry leading technology to its members. In fact, USAA uses and invests in technology ONLY if it demonstrates that it can be used to improve the member experience. In essence, they embrace technology “not because the company is obsessed with technology, but because it is obsessed with customers.”

Clearly, USAA is a customer-centric organization. This is demonstrated by how they treat and serve customers, both in the 1:1 interactions with their members and via their use of technology. USAA puts customers’ needs before all else (including company profits), and it has paid off.

### Effective Response to Critical Incidents

Our research has shown for years that effective response to complaints can have a positive impact on customer satisfaction and loyalty. With that in mind, we decided to examine whether the handling of other critical incidents, such as an insurance claim or an emergency roadside service event, has a differentiating impact on level of customer engagement.

As a reference point, the Insurance industry provides a very solid example of how effective response to a critical incident, i.e., claims, can impact customer engagement. Insurance, whether it is for an automobile, home, or any other material good, is a service that customers mainly use when something goes wrong. Otherwise, the interaction between the customer and the business are limited unless insurance prices change dramatically. Especially now with the ability to auto-pay bills, customers may not interact with a business for an entire year or more. This can all change, however, when an accident occurs and a claim is filed.
In the study, three insurance companies were evaluated; USAA, State Farm, and Allstate. When rating those companies, customers were asked to indicate if they had filed a claim within the last 12 months and if they were satisfied with that experience. It was found that approximately 19% of customers had filed a claim. Of those customers, 63% of them were Very Satisfied with their claims experience.

For the 82% of those customers who said they did not have a claim experience, chart M shows a relatively similar level of engagement, especially between State Farm and Allstate.

The remaining 16% were split by whether they were Very Satisfied with their Claims experience or Less than Very Satisfied (Chart N).

Reviewing the two charts above, one point becomes very clear: With no critical response (i.e., claims experience), Customer Engagement levels are relatively similar among the three companies we evaluated (average among the three is 37%). The key difference maker is whether customers are Very Satisfied with the claims experience or not. If the claims experience is great, Customer Engagement is much higher than the industry average. However, if claims are handled poorly, and company performance does not meet customer expectations, Customer Engagement (and most likely retention) falls below the average.

The key attribute found that can differentiate a good claims experience from a poor one is the degree to which [BRAND] makes me feel like a valued/important customer. For those customers who were Very Satisfied with the claims experience, about 64% feel like they were valued by the insurance company. Conversely, only 54% of customers felt valued for if they were Less than Very Satisfied.
In search of further evidence that an effective response to a critical incident impacts Customer Engagement, we looked at another industry—similar to insurance—that offers an often unused service: Emergency Roadside Service (ERS). The chart to the right shows customer engagement levels of AAA customers split by whether they had an ERS experience or not and whether they were satisfied with that. The findings are very similar to the trends we saw in the insurance industry. Those that are very satisfied are four times more engaged than those that were not satisfied with the experience and twice as engaged as those that never even experienced an ERS event.

By looking at both the Insurance and ERS industries, it can be seen how valuable a customer interaction or “touch” is in driving a customer’s engagement. If a customer is made to feel valuable and s/he is happy with the service experience, Customer Engagement can be raised by about 10% or more. Conversely, a bad experience can decrease Customer Engagement by about 10% or more.

**Conclusion**

As the marketplace continues to evolve, traditional measures such as satisfaction and willingness to recommend may not be adequate for determining what differentiates a successful company from a struggling one. Embracing both brand affinity and activation, Customer Engagement may provide a more complete picture how a customer feels about, interacts, and identifies with a company, its products and services, and its people. Through CX Solutions and Voice Crafter’s research, it is clear that customers who are highly engaged spend more money with a company, and repurchase from it more often than other customers. Highly engaged customers are more likely to recommend a company’s products/services to others. In addition, highly engaged customers are more likely to exhibit brand-focused behaviors that go beyond “business as usual” than other customers.

Several companies, such as Chick-fil-A, Southwest Airlines, and USAA, already have dedicated themselves to Customer Engagement in an effort to differentiate themselves from the competition. These companies emphasize high touch concepts with their employees/staff. They utilize the latest technologies to reach their clients more easily and often, and ensure superior response to critical incidents. They are using Customer Engagement to create a glide path to success.

With ever increasing access to competitive information and the commoditization of goods/services, it has never been more important for companies to engage their customers. Customer Engagement will be the centerpiece of “next generation” customer experience measurement and management systems. By fully engaging customers, companies will convert customers from “just purchasers” to people who more fully connect and identify with the brand itself.
Notes: