

CUSTOMER ENGAGEMENT: THE NEXT LEVEL MEASURE

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STUDY FINDINGS REVEAL IMPACT OF CUSTOMER ENGAGEMENT ON BUSINESS SUCCESS.

by Cynthia Grimm, CX Solutions

What Is Customer Engagement?

Many attempts have been made to define customer engagement. However, taken together, all of the definitions seem to suggest that customer engagement is comprised of two critical elements:

- **AFFINITY**, i.e., feelings of liking or attraction
- **ACTIVATION**, i.e., engaging behavior

Measures of affinity were incorporated into our study by asking customers how likely they would be to repurchase and recommend a brand to others, as well as measures of emotional attachment to a brand (e.g., pride in the brand and willingness to go out of their way to purchase the brand).

The other key component of customer engagement is activation, or the behavioral side of customer engagement. Measures of activation were included in the study by asking about repeat purchasing; but also behaviors beyond purchase, such as 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.

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?

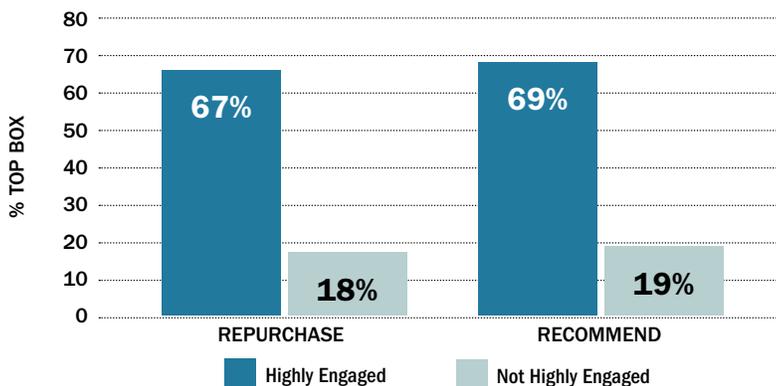
With so many concepts (e.g., satisfaction, loyalty, etc.) and so many metrics (e.g., Net Promoter Score®, Customer Effort Score, etc.) from which to choose, why should organizations focus on customer engagement?

Our answer is simple: Customer engagement may impact business results in more ways than satisfaction, loyalty or willingness to recommend. 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

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 survey of 3,300 consumers regarding their perceptions of and experiences with multiple brands across six industries. While the “Comprehensive Benchmark Study of Customer Engagement” answers all of the above questions, this article highlights three areas: What is customer engagement, why it matters, and what drives customer engagement.

FIGURE 1: HIGHLY ENGAGED CUSTOMERS 3X MORE LIKELY TO REPURCHASE AND RECOMMEND



just mentioned, such as actively building and engaging in brand-based communities or events, making a brand an integral part of the customer's own identity and lifestyle (e.g., Harley Davidson tattoo), or providing positive feedback and suggestions to the brand.

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

For example, highly engaged customers are three times more likely to repurchase—and to be willing to recommend a brand—than those that are not highly engaged. (SEE FIGURE 1.)

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 (SEE FIGURE 2).

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, such as visiting the company's website and following the company on Facebook or Twitter (SEE FIGURE 3).

FIGURE 2: HIGHLY ENGAGED CUSTOMERS RECOMMEND THE BRAND SIGNIFICANTLY MORE THAN THOSE NOT HIGHLY ENGAGED

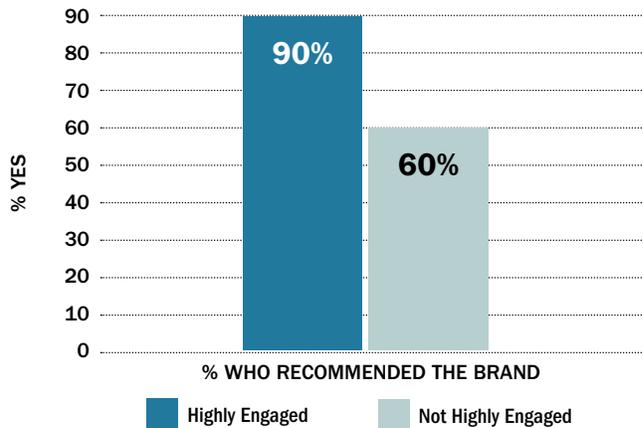
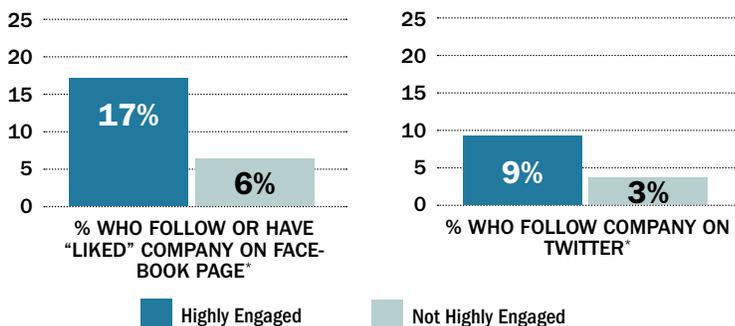


FIGURE 3: HIGHLY ENGAGED CUSTOMERS USE MULTIPLE AVAILABLE CHANNELS TO STAY CONNECTED



*Difference is significant at or beyond 95% level of confidence

Thus, it should be increasingly clear that customer engagement matters because it is good for a brand—leading to increased loyalty (repurchase/WOM) AND increased and sustained customer's physical and psychological "presence" in his/her relationship with a brand.

What Drives Customer Engagement?

Based on our results, three key elements can be identified as differentiators and drivers of customer engagement.

1. EMPLOYEE HIGH-TOUCH SERVICE

The first key differentiator is the emphasis on 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 and Southwest Airlines.

Chick-fil-A is the category leader in the quick-service chicken market, with 26% market share compared to KFC's 22%. It generates more revenue per outlet than any quick-service restaurant chain in the United States, 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.

So how did Chick-fil-A manage to overtake its competitors to achieve financial and market performance leadership? One key factor: Chick-fil-A is the industry leader in customer engagement, and one of the top customer engagement brands in any of the sectors examined.

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 (e.g., customer service, staff and employees, and making me feel like a valued/important customer), Chick-fil-A significantly bests its biggest rival.

Similarly, Southwest Airlines, another leader in CE, places a high-value on "high-touch" customer service among all else. In fact, more than any other airline, study respondents mentioned specific employees and specific treatment by employees as the

reason for their high levels of satisfaction with the airline. Southwest Airlines' management places a strong emphasis on empowering their employees to do what is in the best interest of the customer, and this is rewarded with extremely high levels of customer engagement among its customers.

Both brands, Chick-fil-A and Southwest Airlines, achieve customer engagement leadership largely because of how their employees treat and engage with customers.

2. 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 in our study with over half of their customers as highly engaged.

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 4).

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.

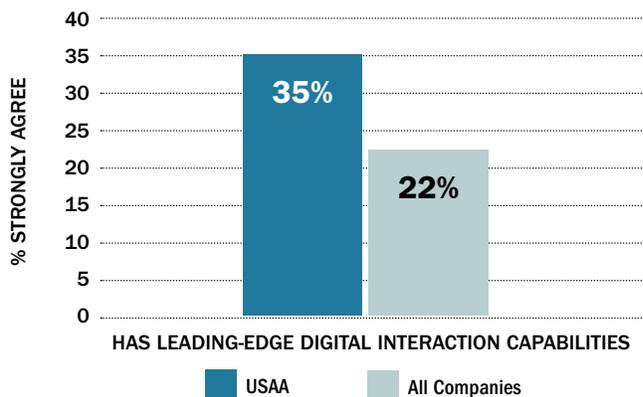
3. EFFECTIVE RESPONSE TO CRITICAL INCIDENTS

Research by CX Solutions (formerly TARP) 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 experience, has a differentiating impact on level of customer engagement.

The study confirmed that customers who have not experienced a critical incident (i.e., claims or emergency roadside service experience) had relatively similar levels of customer engagement across companies. However, when customers experienced a critical incident, their satisfaction with how the incident was handled had a dramatic impact on future levels of engagement.

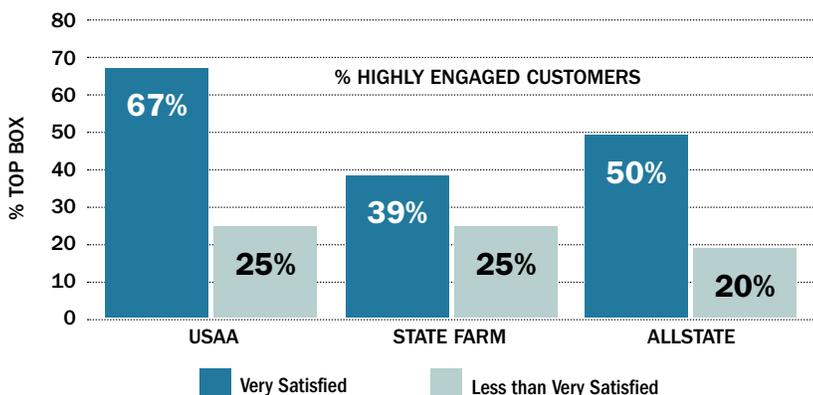
For example, FIGURE 5 shows that, for three of the insurance companies in the study, customer engagement is much higher for customers who are very satisfied with the claims experience than customers are less than very satisfied.

FIGURE 4: IMPACT OF USE OF INDUSTRY-LEADING TECHNOLOGY TO INTERACT WITH CUSTOMERS



*Difference is significant at or beyond 95% level of confidence

FIGURE 5: CUSTOMER ENGAGEMENT IS HIGHER AMONG CUSTOMERS WHO ARE VERY SATISFIED WITH RESPONSE TO A CRITICAL INCIDENT



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 of how

a customer feels about, interacts with and identifies with a company, its products and services, and its people. Through our research, it is clear that customers who are highly engaged spend more money with a company and are more likely to repurchase and recommend than other customers. In addition, highly engaged customers are more likely to exhibit brand-focused behaviors that go beyond “business as usual.”

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. They utilize the latest technologies to reach their clients more easily and often, and ensure a 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 and 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. •



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About the Study

The Comprehensive Benchmark Study of Customer Engagement, jointly conducted by CX Solutions and Voice Crafter, 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 touchpoints and interactions with brand personnel

For more information about the study, contact Cindy Grimm at cgrimm@cxolutions.com or 317-733-9082.

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