

## Consumer Engagement

### Consumer Engagement

Customer Engagement (CE) refers to the engagement of customers with one another, with a company or a brand. The initiative for engagement can be either consumer- or company-led or the medium of engagement can be on or offline.

Unlike marketing terms such as 'Positioning', which was introduced by Al Ries & Jack Trout, the term 'Customer Engagement' (CE) has not been traced to a single source. The first book about Customer Engagement was published in 2008 by UK web development agency cScape. *Winners and Losers in a Troubled Economy: How to Engage Customers Online to Gain Competitive Advantage* (Winners and Losers in a Troubled Economy website) was written by cScape consultants Martyn Perks and Richard Sedley, in response to wide-spread concerns about the impact of a slow-down in the economy. Customer Engagement has been discussed widely online; hundreds of pages have been written, published, read and commented upon. Numerous high-profile conferences, seminars and roundtables have either had CE as a primary theme or included papers on the topic.

Customer Engagement marketing places conversions into a longer term, more strategic context and is premised on the understanding that a simple focus on maximising conversions can, in some circumstances, decrease the likelihood of repeat conversions (Customer engagement interview with Richard Sedley). CE aims at long-term engagement, encouraging customer loyalty and advocacy through word- of-mouth. In this sense "CE is the best measure of current and future performance" 2006 Annual Online CE Survey.

Online Customer Engagement is qualitatively different from offline Customer Engagement as the nature of the customer's interactions with a brand, company and other customers differ on the internet. Discussion forums or blogs, for example, are spaces where people can communicate and socialize in ways that cannot be replicated by any offline interactive medium. Customer Engagement marketing efforts that aim to create, stimulate or influence customer behavior differ from the offline, one-way, marketing communications that marketers are familiar with. Although customer advocacy, for example, has always been a goal for marketers, the rise of online user generated content can take advocacy to another level.

The concept and practice of online Customer Engagement enables organizations to respond to the fundamental changes in customer behavior that the internet has brought about, as well as to the increasing ineffectiveness of the traditional 'interrupt and repeat', broadcast model of advertising. Due to the fragmentation and specialization of media and audiences, as well as the proliferation of community- and user generated content, businesses are increasingly losing the power to dictate the communications agenda. Simultaneously, lower switching costs, the geographical widening of the market and the vast choice of content, services and products available online have weakened customer loyalty.

So today, leveraging customer contributions is an important source of competitive advantage – whether through advertising, user generated product reviews, customer service FAQs, forums where consumers can socialize with one another or contribute to product development.

Amazon recently re-branded into 'serving the world's largest engaged online community', the World Federation of Advertisers (WFA) has created a 'Blueprint for Consumer-Centric Holistic Measurement' and the Association of National Advertisers (ANA), American Association of Advertising Agencies (AAAA) and the Advertising Research Foundation (ARF), have put together the 'Engagement Steering Committee' to work on the customer engagement metric. Nielsen Media Research, IAG Research and Simmons Research are also all in the process of developing a CE definition and metric.

### Online Customer Engagement (CE) refers to:

- A social phenomenon enabled by the wide adoption of the internet in the late 1990s and taking off with the technical developments in connection speed (broadband) in the decade that followed. Online CE is qualitatively different from the engagement of consumer's offline.

## Consumer Engagement

- The behavior of customers that engage in online communities revolving, directly or indirectly, around product categories (cycling, sailing) and other consumption topics. It details the process that leads to a customer's positive engagement with the company or offering, as well as the behaviors associated with different degrees of customer engagement.
- Marketing practices that aim to create stimulate or influence CE behavior. Although CE-marketing efforts must be consistent both online and offline, the internet is the basis of CE-marketing.(Eisenberg & Eisenberg 2006:72,81)
- Metrics that measure the effectiveness of the marketing practices which seek to create stimulate or influence CE behavior.

### Defining Customer Engagement

In March 2006, the ARF announced the first definition of CE at the re:think! 52nd Annual ARF Convention and Expo:

"Engagement is turning on a prospect to a brand idea enhanced by the surrounding context."

Although some were relieved to find a definition of Customer Engagement, ARF's was criticized for being too broad. . It is widely agreed that it is not a complete solution. A sign of its inadequacy is the proliferation of CE definitions that followed. Amongst them Shevlin's has gained currency and was used in the first international Annual Online CE Survey. Shevlin's definition frames CE from a consumer behavior perspective, detailing the process that leads to an individual customer's engagement:

"Repeated, satisfied interactions that strengthen the emotional connection a customer has with the brand"

Customer Engagement can also refer to the stages consumers travel through as they interact with a particular brand. This Customer Engagement Cycle, or Customer Journey, has been described using a myriad of terms but most often consists of 5 different stages: Awareness, Consideration, Inquiry, Purchase and Retention. Marketers employ Connection Strategy to speak to would-be customers at each stage, with media that addresses their particular needs and interests. When conducting Search Engine Marketing & Search Engine Optimization, or placing ads, Marketers must devise media and/or keywords and phrases that encourage customer flow through the Customer Engagement Cycle, towards Purchase.

Because the various definitions often focus on entirely different aspects of CE, they are not in every case competing definitions but, rather, illuminate CE from different perspectives. Eric Peterson's definition for example frames CE as a metric:

"Engagement is an estimate of the degree and depth of visitor interaction against a clearly defined set of goals."

At the moment the ARF, World Federation of Advertisers, Nielsen Media Research, IAG Research and Simmons Research are all in the process of developing a definition and a metric for CE.

### The need for Customer Engagement

CE-marketing is necessitated by a combination of social, technological and market developments:

1. Businesses are losing the power to dictate the communications agenda: The effectiveness of the traditional 'interrupt and repeat' model of advertising is decreasing. . In August 2006 McKinsey & Co published a report which said that by 2010 traditional TV advertising will only be one-third as effective as it was in 1990. This is due to:

## Consumer Engagement

a. Customer audiences are smaller and specialist: The fragmentation of media and audiences and the accompanying reduction of audience size have reduced the effectiveness of the traditional top-down, mass, 'interrupt and repeat' advertising model. The adoption of new media. Forrester Research's North American Consumer Technology Adoption Study shows people in the 18-26 age groups spending more time online than watching TV.

b. Customer audiences are also broadcasters: A company's position is no longer just inside consumers' minds. As they increasingly speak their minds with the power for circulation and permanence of CGM, businesses lose the power of shouting over everyone else. Instead of trying to position a product using a couple of static messages that will themselves become the subject of conversation amongst a target market that has already discussed, positioned and rated the product, companies must join in. This also means that consumers can now choose not only when and how but, also, if they will engage with marketing communications; they can rely on CGM. In addition new media themselves provide consumers with more control over their advertising consumption.

1. Decreasing brand loyalty: The lowering of entry barriers (such as the need for a sales force, access to channels and physical assets) and the geographical widening of the market due to the internet have brought about increasing competition. In combination with lower switching costs, easier access to information about products and suppliers and increased choice customer loyalty is hard to achieve.

The increasing ineffectiveness of TV advertising due to the shift of consumer attention to the internet, the ability, within new media, to control advertising consumption and the decrease in audience size is bringing about a progressive shift of advertising spending online

The proliferation of media that provide consumers with more control over their advertising consumption (subscription-based digital radio and TV for example) and the simultaneous decrease of faith in advertising and increase of faith in peers point to the need for communications that the customer will desire to engage with. Stimulating a consumer's engagement with a brand is the only way to increase brand loyalty and, therefore, "the best measure of current and future performance".

CE is the solution that marketers have devised in order to come to terms with the social, technological and market developments outlined above. In a nutshell, it is the attempt to create an engaging dialogue with target consumers and stimulate their engagement with the brand. Although this must take place consistently both on and off-line, the internet is the primary vehicle for doing so.

CE marketing begins with understanding the internal dynamics of these developments and, especially, the behavior and engagement of consumers online. That way, business opportunities can be identified. As Max Kalehoff suggests, consumer-generated media should play a massive role in our understanding and modeling of engagement. The control Web 2.0 consumers have gained must, and will be, quantified through 'old school' marketing performance metrics.

### Customer Engagement as a social phenomenon

Online inter-customer engagement is a recent social phenomenon that came about through the wide diffusion and adoption of the internet in western societies during the late 1990s. Although offline CE predates online CE, the latter is a qualitatively different social phenomenon unlike any offline CE that social theorists or marketers are familiar with.

It manifests itself in the proliferation of online communities that centre on the consumption of:

1. a particular product category (cycling, sailing, dogs),

2. a particular brand (Volkswagen Beetle enthusiasts or the DellHell anti-funclub), or

## Consumer Engagement

3.a pure dot-com company's or bricks and clicks vast array of offerings (Amazon reader's comments, Netflix viewers' recommendations).

People also engage online in communities that do not necessarily revolve around a particular product, but serve as meeting or networking places, for instance on MySpace. The people in one's MySpace friend's list do not necessarily all share a single consumption habit, although they often do.

People's online engagement with one another has brought about both the empowerment of consumers and the opportunity for businesses to engage with their target customers online.

### Customer Engagement as consumer behavior

CE behavior became prominent with the advent of the social phenomenon of online CE. Creating and stimulating customer engagement behavior has recently become an explicit aim of both profit and non-profit organizations in the belief that engaging target customers to a high degree is conducive to furthering business objectives.

Shevlin's definition of CE is well suited to understanding the process that leads to an engaged customer. In its adaptation by Richard Sedley the key word is 'investment'.

"Repeated interactions that strengthen the emotional, psychological or physical investment a customer has in a brand."

A customer's degree of engagement with a company lies in a continuum that represents the strength of his investment in that company. Positive experiences with the company strengthen that investment and move the customer down the line of engagement.

What is important in measuring degrees of involvement is the ability of defining and quantifying the stages on the continuum. One popular suggestion is a four-level model adapted from Kirkpatrick's Levels:

- Click - A reader arrived (current metric)
- Consume - A reader read the content
- Understood - A reader understood the content and remembers it
- Applied - A reader applies the content in another venue

Concerns have, however, been expressed as regards the measurability of stages three and four. Another popular suggestion is Ghunheim's typology of engagement.

Degrees of Engagement, Low, Medium, High, Highest

Adoption ,Collaborative Filtering ,Content Creation Social

Bookmarking, Tagging, Adding to group, Rating, Voting, Commenting, Endorsing, Favouritising Upload (User Generated Content), Blogging, Fan community participation, Create mash-ups, Podcasting, Vlogging ,Adding Friends, Networking, Create Fan Community

The following consumer typology according to degree of engagement fits well to Ghunheim's continuum.

1. Creators (smallest group)
2. Critics

## Consumer Engagement

3. Collectors
4. Couch Potatoes (largest group)

Engagement is a holistic characterization of a consumer's behavior, encompassing a host of sub-aspects of behavior such as loyalty, satisfaction, involvement, Word of Mouth advertising, complaining and more.

- Satisfaction: Satisfaction is simply the foundation, and the minimum requirement, for a continuing relationship with customers. Engagement extends beyond mere satisfaction.
- Loyalty - Retention: Highly engaged consumers are more loyal. Increasing the engagement of target customers increases the rate of customer retention.
- Word of Mouth advertising - advocacy: Highly engaged customers are more likely to engage in free (for the company), credible (for their audience) Word of Mouth advertising. This can drive new customer acquisition and can have viral effects.
- Awareness - Effectiveness of communications: When customers are exposed to communication from a company that they are highly engaged with, they tend to actively elaborate on its central idea. This brings about high degrees of central processing and recall.
- Filtering: Consumers filter, categorize and rate the market from head to tail, creating multiple, overlapping folksonomies through tagging, reviewing, rating and recommending.
- Complaint-behavior: Highly engaged customers are less likely to complain to other current or potential customers, but will address the company directly instead.
- Marketing intelligence: Highly engaged customers can give valuable recommendations for improving quality of offering.

The behavioral outcomes of an engaged consumer is what links CE to profits. From this point of view,

"CE is the best measure of current and future performance; an engaged relationship is probably the only guarantee for a return on your organization's or your clients' objectives." Simply attaining a high level of customer satisfaction does not seem to guarantee the customer's business. 60% to 80% of customers who defect to a competitor said they were satisfied or very satisfied on the survey just prior to their defection.

### Customer Engagement as a set of marketing practices

CE marketing practices aim to:

1. persuade target customers that the company or offering is worth their time, effort, money and commitment. 2006 Annual Online CE Survey
2. create, stimulate or influence customer engagement behavior.

CE-marketing practices provide new guidelines and opportunities for the development of B2B, B2C, B2E and C2B communications and relationships.

## Consumer Engagement

It requires a consistent approach and smooth execution both online and offline. The internet is typically the basis for CE-marketing activity for click-and-mortar organizations. CE marketing practices often aim at participating in and furthering the growth of the social phenomenon of CE.

The interactive experience that digital media provide has enabled the extension of CE as a social phenomenon, as well as transformed businesses' ability to engage with its customers.

The main difference between traditional and CE marketing is marked by these shifts:

1. From 'reach or awareness focused' marketing communications and their metrics (GRP or page view) towards more targeted and customized interactions that prompt the consumer to engage with and act on the content from the outset. See ARF Press Releases - Advertising Industry 'Turned On' by New Measurement Model, Page views are Obsolete, No, size does not matter, not in media, not anymore
2. From absolute distinctions and barriers between an organization and its target customers towards the participation of consumers in product development, customer service and other aspects of the brand experience.
3. From one-way, top-down, formal B2C and B2E interaction to continuing, dialogic, decentralized and personalized communications initiated by either party.

### CE marketing practices involve:

Encouraging collaborative filtering: Google, Amazon, iTunes, Yahoo LAUNCH cast, Netflix, and Rhapsody encourage their consumers to filter, categorize and rate; that is, to market their products. They realize consumers are not only much more adept at creating highly-targeted taxonomies (folksonomies) given that they are more adept at delineating the segment they themselves constitute, but, also, that they are willing to do so for free. And to the extent they cannot, they do it for them. If enough people like the band Groove Armada as well as the band The Crystal Method, there may well be a stylistic connection between them, despite the fact that one's categorized as 'downtempo' and the other 'beast and breaks'. Such strong associations tell Yahoo! to put the two on the same playlist more often, and if the positive ratings continue to come in, that connection is reinforced. (Anderson 2006:101) Amazon does the same with their 'customers who bought this item also bought...' recommendations.

1. Community development: Helping target customers develop their own communities or create new ones.
2. Community participation: Consumers do not filter and rate companies and their offerings within company websites only. Being able, with little effort, cost or technical skills, to create their own online localities, a large percentage of the filtering and rating takes place in non-sponsored, online spaces. Organizations must go and meet their target customers at their favored online hangouts to not only listen but also participate in the dialogue.
3. Help consumers engage with one another: Give them content (viral podcasting, video casting, games, v-cards etc) they can use to engage with one another.
4. Solicitation of user generated content: Engage them directly or indirectly with your product by giving them the means or incentive to create user generated content.
5. Customer self-service: Help them create a customer service FAQ in wiki or blog format. Create a blog where technical support staff and customers can communicate directly.
6. Product co-development: Create a blog where product developers and consumers can communicate directly.

## Consumer Engagement

Every single communicative action must be more targeted and engaging – from personalized online content to the buttons on websites. Instead of sticking a 'donate' button on each page, present charity customers with case studies that show the impact past contributions have made and then offer the option to act by donating money. Use engaging text such as 'I want to help' or 'Make a difference'.

### Customer Engagement as a metric

All marketing practices, including Internet Marketing include measuring the effectiveness of various media along the Customer Engagement Cycle, as consumers travel from awareness to Purchase. Often the use of CVP Analysis factors into strategy decisions, including budgets and media placement.

### The CE metric is useful for:

- Planning:
  1. Identify where CE-marketing efforts should take place; which of the communities that the target customers participate in are the most engaging?
  2. Specify the way in which target customers engage, or want to engage, with the company or offering.
- Measuring Effectiveness: Measure how successful CE-marketing efforts have been at engaging target customers.

The importance of CE as a marketing metric is reflected in ARF's statement:

"The industry is moving toward customer engagement with marketing communications as the 21st century metric of marketing efficiency and effectiveness."

ARF envisages CE exclusively as a metric of engagement with communication, but it is not necessary to distinguish between engaging with the communication and with the product since CE behavior deals with, and is influenced by, involvement with both.

Eric Peterson's definition also frames CE as a metric:

"Engagement is an estimate of the degree and depth of visitor interaction on the site against a clearly defined set of goals."

In order to be operational, CE-metrics must be combined with psycho demographics. It is not enough to know that a website has 500 highly engaged members, for instance; it is imperative to know what percentage are members of the company's target market. As a metric for effectiveness, Scott Karp suggests, CE is the solution to the same intractable problems that have long been a struggle for old media: how to prove value.

The CE-metric is synthetic and integrates a number of variables. The World Federation of Advertisers calls it 'consumer-centric holistic measurement'. The following items have all been proposed as components of a CE-metric:

### Root metrics

1. Duration of visit
2. Frequency of visit (returning to the site directly – through a URL or bookmark - or indirectly).
3. % repeat visits

## Consumer Engagement

4. Regency of visit
5. Depth of visit (% of site visited)
6. CTR
7. Sales
8. Lifetime value

### Action metrics

1. RSS feed subscriptions
2. Bookmarks, tags, ratings
3. Viewing of high-value or medium-value content (as valued from the organization's point-of-view). 'Depth' of visit can be combined with this variable.
4. Inquiries
5. Providing personal information
6. Downloads
7. Content resyndication
8. Customer reviews
9. Comments: their quality is another indicator of the degree of engagement.
10. Ratio between posts and comments plus trackbacks.

### In selecting the components of a CE-metric, the following issues must be resolved:

1. Flexible metric vs. Industry standard: According to some, CE "measurement has never been one size fits-all" but should vary according to industry, organization, business goal etc. On the other hand, corporate clients and even agencies also desire some type of solid index. Internal metrics could, perhaps, be developed in addition to a comparative, industry-wide one. Other exponents of a flexible CE-metric include Bill Gassman in his comments to 'How do you calculate engagement? Part I'. Eric Peterson shares Gassman's views.
2. Relative weighting: The relative weighting associated with each CE-component in an algorithm. For instance, is subscribing to RSS more important than contributing a comment? If yes how much more important exactly? Relative weighting links up with the issue of flexible vs. standardized metrics: Is the relative weighting going to be solid – as will be required if the CE-metric is to be standardized – or is it going to differ depending on the industry, organization, business goals etc?
3. Component measurability: Most of the components of a CE-metric face problems of measurement. Duration of visit for example suffers from (a) failing to capture the most engaged users who like to peruse RSS feeds; (b) inaccuracy

## Consumer Engagement

arising from leaving a tab open during breaks, stopping to converse with co-workers, etc.

4. Length of measurement: For how long must the various CE components be measured if CE is to reflect loyalty rather than short-term, faddish engagement