Enterprise
ENGAGEMENT ALLIANCE

Customer Engagement

By Allan Schweyer

INTRODUCTION

Most organizations in the United States – even if they haven't considered their broader stakeholders, such as vendors, channel partners, volunteers and the community itself – utilize at least some components of customer and employee engagement. The great majority, however, approach their employee and customer engagement strategies haphazardly and piecemeal. Inconsistent application of initiatives intended to drive customer engagement are combined with multiple accountabilities throughout the organization. The only result can be inconsistent experiences among customers and a negative impact on the brand.

The theme of this chapter is consistent with the theme of the book. Enterprise Engagement must be a deliberate, cross-departmental exercise that recognizes the direct and dependent relationships between customer, employee, vendor and partner engagement, extending to volunteers, investors, regulators and the broader community.

The specific focus of this chapter is customer engagement, yet you must engage your employees – particularly those who touch customers most – before you can engage customers. And customers must become engaged in order for employees to avoid the negative experiences with them that may lead to their own disengagement. It's a dependent, symbiotic relationship that must be managed holistically, so that employees become more engaged and, in turn, customers enjoy better relationships with them, becoming more engaged themselves.

A CULTURE OF ENGAGEMENT

Customer Engagement is dependent – like the engagement of any stakeholder – on whether a culture of engagement exists in your organization. Everyone has to be responsible for engaging customers. For that to occur, it has to be embedded in your values and culture so that it comes as naturally as breathing.

Clearly, this level of customer engagement is impossible to reach in the absence of employee engagement, and easier to reach the broader your engagement strategy, (i.e., to include vendors, channel partners and other key stakeholders).

EMOTIONALLY INVESTED

Customer engagement occurs when customers become fans – willing and even eager to refer their family, friends and colleagues to you. Only when a customer is emotionally engaged will they spend even a very small amount of their unpaid time promoting a commercial brand – think Harley Davidson, Apple, many colleges and universities, even certain banks and airlines. There's a place beyond the point where customers simply say yes to your product or service and become "Raving Fans."

The benefit of reaching this level of connection with customers is profound. In their 2007 book, *Human Sigma*, Gallup studied organizations across various industries. What they found was that when a customer is rationally satisfied – i.e., against price, quality, delivery, etc. – they're no more likely to stay or spend more money with a company than is a customer who is dissatisfied.

However, when a customer becomes emotionally engaged, they're tremendously more likely to be retained and to spend more[1].

Merely satisfying your customers is an old-world proposition; today you must engage them at an emotional level to gain their loyalty and a greater share of their spending. Indeed, it's not a stretch to say that customer connections today are built on emotion, not reason. You must connect with customers at a level that taps their feelings.

As Gallup advised in *Human Sigma*, your company probably isn't what you think it is; it's what your *customers feel it is*. Remember that 60% to 80% of customers who defect to a competitor say they're satisfied or very satisfied on the survey just prior to their defection.[2] It shouldn't surprise you that your customers are often irrational. All of us, except perhaps extreme sociopaths and psychopaths, make irrational decisions

---

1 Gallup Consulting (2009), Customer Engagement: What's your engagement ratio? – Gallup: available at www.gallup.com

2 See: http://www.loyaltyrules.com/loyaltyrules/BB_Loyalty_effect_essay_5_Satisfaction_trap.pdf

more frequently than we do rational ones.[3] We act based on how we feel; it's what defines us as humans. Accept this and you're on your way to better customer relationships, connections and engagement.

RATIONAL VS. EMOTIONAL

Why would someone spend their free, unpaid time promoting a commercial brand? Today, it's often because they're emotionally engaged with that brand. The benefits of reaching this level of connection with customers are startling. In *Human Sigma*, Gallup studied organizations across various industries. What they found was that even when a customer is rationally satisfied – where price, quality and on-time delivery are all good – they're no more likely to stay with the company than a customer who is unsatisfied.[4] They are more likely to spend more money if they're rationally satisfied, but when a customer becomes *emotionally engaged*, they're tremendously more likely to be retained and spend even more.

> Gallup studied organizations across various industries. What they found was that even when a customer is rationally satisfied – where price, quality and on-time delivery are all good – they're no more likely to stay with the company than a customer who is unsatisfied.

If, as many suggest, 80% of sales are driven by 20% of customers, then "market share" is not the whole picture. Marketing and sales will drive market share, but what drives customer share? Engagement is the key. An engaged customer says good things about the organization, stays as a customer and spends more with that organization. Engaged customers have a positive involvement with the brand. They take actions, make recommendations and do things that impact the relationship. They're proactive in their involvement – initiating, not just responding – and they are, most importantly, emotionally connected to the brand, identifying with your employees and other customers.

Gallup found that customers who are fully engaged represent an average 23% premium in terms of "share-of-wallet," profitability, revenue and relationship growth than the average customer. Actively disengaged customers represent a 13% discount in those same measures. Gallup concludes that the great organizations focus on maximizing their customer relationships – organizations that optimize engagement have outperformed their competitors by 26% in gross margin and 85% in sales growth. Their customers buy more, spend more, return more often and stay longer.[5] But customer engagement must be continually nurtured because, now more than ever, involved, proactive, emotionally connected individuals who are negative can be your worst nightmare!

ARE YOUR CUSTOMERS ENGAGED?

In 2003, Baylor University neuroscientist Read Montague conducted an experiment[6] involving subjects doing blind tastings of Coke and Pepsi while connected to an MRI. By a margin of 5 to 1, subjects' pleasure centers in their brains lit up when they tasted Pepsi versus Coke, strongly suggesting – as Pepsi has always attested – that the great majority of people prefer the taste of Pepsi. Yet Coke consistently outsells Pepsi by a margin of at least two to one. Even Diet Coke sells significantly more product than regular or diet Pepsi.[7]

Amazingly, the test subjects, who had moments before chosen Pepsi, declared their preference for Coke once they were told the identity of the samples. This comes from emotional attachments to the brand, pride in being associated with it and the irrational loyalty that goes along with it. Coke's continuing victory in the cola wars is planned and deliberate. For almost three decades it has focused on building a brand around family, friendships and warm, emotional associations. The lesson is crystal clear.

---

3 Dan Ariely, Predictably Irrational, Harper Collins, 2008

4 John Fleming and Jim Apslund, Human Sigma, Gallup Press, 2007

5 Ibid

6 See: www.pbs.org/wgbh/pages/frontline/shows/persuaders/etc/neuro.html

7 See: www.slate.com/articles/business/rivalries/2013/08/pepsi_paradox_why_people_prefer_coke_even_though_pepsi_wins_in_taste_tests.html

Ask yourself: Are your customers proud to be associated with your brand? Is it tattooed on their shoulder as it is with many Harley Davidson customers? Have some of them shaved it into their hairdos as Apple customers have done? More practically, do they wear your t-shirt and sing your praises on social forums? Do they volunteer their time to give you feedback, rate your products and services, and encourage other people to become your customers? You might have a long way to go to get to these levels of engagement with your customers, but it's worth it – and almost certainly necessary if you intend to thrive in today's markets.

Consider some fundamental questions about the way your organization treats customers. Do you always deliver on promises to customers and do all that you can to earn their trust? Do you solve their problems quickly when things go wrong and always treat them fairly? These are the basic "musts" in building your brand over time. They are the tenets of good customer service, and customer service is still the dominant component of customer engagement.

Every interaction with a customer, by you or anyone in your organization, results in an increase or a decrease in their engagement with you. In the vast majority of companies, inconsistent service and interactions are the norm, but a customer's ups and downs – characterized by good experiences followed by mediocre, then bad and back to good – frustrates them and damages your brand immensely. The lesson: Be consistent.

ENTERPRISE ENGAGEMENT

The tactics used to increase customer engagement are many, but those that emphasize customer service, rewards and branding are the mainstays. Tactics that are aligned and integrated across the organization, as well as with other stakeholders, stand the greatest chance of success, longevity and of realizing the "multiplier" effect of multi-stakeholder engagement.

In the next several pages are two vignettes that illustrate these tactics with an emphasis on Enterprise Engagement – the combination of the main elements of engagement and driving consistency of its application across the enterprise.

The first thing you need to do is identify and engage all of the people critical to achieving your goals. With them, develop and implement a formal Enterprise Engagement plan that integrates all of the tactics necessary to engage customers and your other key stakeholders.

As noted above, Enterprise Engagement focuses on creating alignment across the organization to consistently deliver positive interactions between employees and customers, as well as with other stakeholders. Obviously, this consistency is difficult to achieve in complex, large and far-flung organizations.

Meet regularly to discuss customer engagement, even organize conferences on the theme in which critical people are assembled from across the organization. An enterprise-wide approach is key in reaching and maintaining the level of consistency you need.

TACTIC: CUSTOMER SERVICE

According to the Gartner Group, 68% of all customers defect because of poor service.[8] It stands to reason, then, that addressing customer needs and service preferences more adequately can be highly profitable.

Ensure that customer needs are continually identified and consistently delivered upon. To do this, bring the people who can affect results on board. Defeat the typical corporate structure where customer interactions and accountabilities are managed discretely by separate groups – marketing, sales, customer service, tech support, etc. Instead, try to see it from the customer's perspective, where all of their contact with your company adds up to their impression. After all, customers don't generally rate companies based on their experiences with its sub-components.

---

8 See: http://www.amdocs.com/Whitepapers/wp_CEBreport_0709.pdf

This viewpoint may allow your teams to come up with better solutions to enhance the customer experience and their level of engagement. Whoever is in the best position to aid and delight a customer should be empowered to do so.

In most organizations, sales and customer service have the most contact with customers, so start there. But don't wait for complaints from customers to figure out what's most broken.

Research shows that, on average, only about 4% of customers will complain about bad service.[9] Foster an environment in which customers and employees feel encouraged to contribute ideas and continually communicate. Make it easy to contribute, and reward contributions.

Customers typically want:

- The ability for a customer service agent to assist with all their needs, not be passed on through a chain, put on hold and made to wait
- The ability to discuss problems with knowledgeable customer service agents rather than untrained call center generalists
- Their problems solved or questions answered in a reasonable amount of time
- Credible, quality responses
- A respectful manner and approach from customer service agents.

Customers may often be wrong, but it no longer matters. As workplace dynamics guru Dan Pink points out in his latest book, *To Sell is Human*, product and pricing information is ubiquitous, along with customer ratings and detailed information about the product. Today, customers have as much information as companies; there's no advantage or knowledge mismatch to exploit.

Pink suggests that even attempting to solve your customers' problems is a dated approach. Instead, you must identify their problems *before* they do. Pink cites Perfetti Van Melle, the candy company than makes Mentos. Its salespeople visit convenience stores with the hope of placing more Mentos on store shelves. But this practice also gives the company knowledge and insight into candy in general, such that it can offer valuable advice to store owners about the kinds of products they should be selling. This sometimes leads to recommendations that the store stock fewer brands of Mentos, and even that they offer more of Mentos' competitor brands! The tradeoff is trust, access, loyalty and a relationship that will pay off in spades over a longer timeframe.

Organizations that sell things have to become customer-centric. Learn about your customers, track their changing preferences in real-time to the extent possible. Listen attentively to their problems so you can identify solutions and even uncover opportunities they didn't know about. Strive to make their businesses and/or their lives better.

To put yourself and your team in the right mindset, re-draft your organizational chart so the top box says "customers." Underneath this, include boxes for everyone that serves them – which should be everyone in the organization. Companies like Zappos and Amazon illustrate this ethos well. Zappos used to make a video feed of its meetings available to anyone who wanted to tune in. At Amazon, CEO Jeff Bezos places an empty chair at meetings for what he calls the most important person in the room – the customer.

Products often fail because they don't consider the customer enough in their development. For example, a hotel might lead with its amenities and hospitality in advertising, but Booz & Company research suggests that cleanliness trumps all else in pleasing customers.[10] Put the customer in the room at meetings, during product development and in determining marketing strategy.

9 See: http://businesscard2.com/resources/taking-care-of-customers-is-taking-care-of-business

10 See: http://travel.usatoday.com/hotels/story/2012-05-30/CSI-hotel-room-Best-Western-goes-high-tech-to-clean/55270430/1

Another simple tactic is to try to say "yes" to customers as much as possible. Discount Tire, for example, says yes to people who want flat tires fixed at no charge – even if they bought their tires from another supplier. When you say yes, you empower your staff members to engage with your customers. Becoming a "yes" company isn't difficult, but like engagement in general, you have to encourage your people to get into the habit.

Finally, don't forget the power of purpose. TOMS Shoes famously gives a pair of new shoes to a child in need for every pair purchased in its stores on via its website. TOMS is in business "to help change lives," an ambitious mission for a shoe company. But by giving shoes to more than a million kids in 60 countries around the world, it's changing lives for the better, and customers (as well as employees and other stakeholders) are responding.

More than ever, customers today want to be associated with causes. CSR (Corporate Social Responsibility) is a growing component of reputation and brand-building through serving others. It's also a competitive advantage. In their 2013 book, *The Why Axis*, economists Uri Gneezy and John List conducted field experiments to determine what causes people to spend more and give. They found that matching programs, like that at TOMS, in which sales are combined with donations, result in 20% more sales, on average.[11]

This business philosophy of putting customers first, treating them fairly, charging reasonably, providing excellent customer service combined with empathy – thinking like the customer, trying to make customers' lives better, solving and identifying their problems and CSR activities – provides the balance between reason and emotion that can build lasting and strong customer engagement. It brings the "what" together with the "why" and appeals to customers' need for tangible and intangible reasons for doing business with you.

When your company operates with a customer-centric mindset, you engage with them and improve their experience. This is the best way to establish an individualized brand and optimize the value you offer.

TACTIC: REWARDS & RECOGNITION
Incentives and rewards are important to win and keep customers, just as they're important to motivation in just about every aspect of life. Incentives, rewards and recognition are also essential to keep customers and earn their "share of wallet" – they're important tactics in the overall approach to sales and marketing and, ultimately, customer engagement.

Your strategy may be to get males age 25-40 to identify with a shoe brand. This might include tactics such as a free movie coupon for each pair of shoes sold, contributing to sales. But ask yourself what appeals to your demographic – for example, extreme sports, fitness, attractiveness, etc., You might also sponsor events, endorse specific athletes, etc. to cause your customers to better identify with and "live" your brand. This is an element of recognition and one of the keys to long-term customer engagement. When your customers use your brand to portray themselves the way they wish to be seen, you've touched them at an emotional level.

Customer loyalty programs are effective ways to build lasting loyalty. Example: Shell Oil overbuilt gas stations in Canada in the early 1990s, and many of them didn't meet customer expectations. Shell wanted to reduce its 2,500 Canadian stations to approximately 2,000. It planned to spruce up the outlets it kept open, turning many of them into more profitable self-service operations, and it planned to manage this complicated project without losing any market share.

Shell partnered with the Air Miles reward program, a loyalty program that provided it comprehensive information about its customers. By analyzing this valuable customer data, Shell determined which locations to close and which ones to renovate. The program's customer sales data helped Shell develop a marketing program to convince existing Shell customers to fill up at the company's new locations. Given the program's extensive data about customers' purchasing habits, analysts could define Shell's target market precisely. This probe of consumer behavior enabled it to predict the specific gas stations that Air Miles members would be inclined to use when Shell closed other stations. Direct mail and in-store marketing told

---

11 John A. List and Uri Gneezy, The Why Axis, PublicAffairs, 2013

these customers about the renovated locations and alerted them to the nearest (and most likely) alternate site.

> Emotionally engaged customers spend more money with the businesses they like and are more intensely loyal than other customers.

To convince these buyers to stay with Shell during the transition period, the company promised loyalty members double air miles for their purchases at the recommended stations. When the renovations were complete, Shell promoted the newly redone stations with "site-reopening" ads and "welcome-back teasers" offering to double and even triple consumers' miles.

Customer loyalty takes two forms: "behavioral loyalty" springs from pricing and convenience, while "emotional loyalty" represents a remarkably strong bond between customer and company. The bond of emotional loyalty can overcome compelling offers from the competition. Emotionally engaged customers spend more money with the businesses they like and are more intensely loyal than other customers. Companies' loyalty programs should offer rewards that are appealing enough to entice customers and then keep them with recognition-type benefits like prestige access to airline lounges or VIP access to concerts, for example, to touch the emotional side of their customers and thus move them from a rational (price-based) reason for their loyalty to a more complex and unpredictable, but far more rewarding, emotional attachment.

TACTIC: BRANDING
Branding used to be about "mindshare." Today it aims at "heartshare." This is important for two reasons. First, for all the factors related to emotional engagement outlined above, and second, because today your customers can do you much greater damage if you alienate them. Your customers have powerful new platforms – global social media stages – where they can tell their friends, family, neighbors, colleagues and even strangers what they think and feel about the products and services they buy and the companies that sell to them.

On the positive side, you can use the same platforms to interact with customers more intimately and less expensively than in the past. Find out how and why your customers choose particular communication platforms. Leverage each platform by taking an active role, soliciting or monitoring feedback, answering questions and building your reputation. Through these channels, you have an unprecedented ability to learn about how your products and services impact customers and prospects, and the chance to collect ideas from customers on how to make your services and products better.

Create an enterprise brand that connects customers, distribution partners, employees, vendors and communities to the organization by ensuring:

- people know the true benefits of your brands
- they feel they are part of your community
- they're getting the information they need or want rather than just being sold to
- they know what they need to know
- your employees have the ability to deliver promises.

As part of a broader customer engagement strategy, social media is usually an effective and cost-efficient marketing, sales, service, insight and retention tool. Recent research reveals that customers who engage with companies over social media spend 20% to 40% more with those companies than other customers.[12] They also demonstrate a deeper emotional commitment to the companies.

More than 60% of Internet-connected individuals in the U.S. now engage on social media platforms every day.[13] The speed and access to information they've come to appreciate has made them more demanding

---

12 See: http://www.bain.com/publications/articles/putting-social-media-to-work.aspx

13 See: http://callcenterinfo.tmcnet.com/news/2013/12/21/7605273.htm

customers. For example, many now expect real-time customer service and quick responses to their online feedback. Hyper-connected individuals regularly broadcast their opinions. And they rely on their friends and social networks for news, reviews and recommendations for products and businesses.

Social media leaders understand and appreciate the magnitude of the shift in customer empowerment and the opportunities and risks these tools create. As a result, they approach their social media efforts differently.

While the average company may maintain Facebook and Twitter accounts and have other discrete programs run by their marketing or customer service teams, these efforts tend to be uncoordinated, with different business units, brands or geographies conducting their own social media experiments.

Social media shouldn't be viewed as a mere channel for marketing or public relations, or just an effective customer service tool. While many companies begin using social media to get the word out about products, the most successful have significantly expanded their efforts to engage their customers at every step of the "customer corridor," touchpoints that start when a potential customer first learns of a product and extending through the moment they opt to make repeat purchases. It means helping by becoming a source of useful information, not just selling. See Chapter 16 on Content Marketing.

While a company's products are important, only 40% of people's willingness to recommend that company is determined by their perceptions of products, and 60% is determined by their perceptions – the brand – of the company itself. "Though a company can no longer control the dialogue surrounding their company, they can definitely pay attention to it and shape it in the best light possible."[14] Bottom line: You no longer win by pursuing sales alone; you must build an active, online community around your brand.

TACTIC: ENGAGEMENT CONNECTIVITY
Customer loyalty depends on employee loyalty. The blending of customer and employee engagement through enterprise branding is a vital tactic discussed briefly above and seen more and more among large organizations.

General Electric, for example uses national media campaigns to link its production of high-tech aircraft engines and other products to the commitment and passion of its employees.

Intel succeeded in elevating a commodity (microprocessor chips) to a global brand. Its Intel Inside® campaign[15] largely convinced consumers that their choice of microprocessor manufacturer for their laptop or computer is important. More recently, Intel extended the campaign to include another differentiator, the employees Inside Intel.

By airing commercials, erecting billboards and constructing elaborate websites about the "Rock Stars" at Intel, it very effectively integrates consumer and employer branding and uses a very clever tactic to drive employee engagement through recognition.

Moreover, as witnessed by hundreds of comments on YouTube, the campaign has been effective in endearing consumers to the brand through a very human and emotional connection to its people.

Remember that connectivity and integration are key. After all, how can customer engagement improve if the people responsible for employees almost never talk to the people responsible for customers, or to those in charge of vendor management and partner relationships?

While it's beyond the control of almost anyone in the organization, save its leaders, a select few organizations are appointing Chief Engagement Officers who are charged with tearing down silos and bringing employees, customers, vendors and partners together. This is a tactic whose time has come, yet instances are still rare.

---

14 See: http://www.marketingtechblog.com/marketing-sales-service-new-rules-customer-engagement/

15 See: http://www.intel.com/consumer/tomorrow/innovators/index.htm

How can customer engagement improve if the people responsible for employees almost never talk to the people responsible for customers, or to those in charge of vendor management and partner relationships?

While creating a new 'C' level position may be impractical for most, the idea is key. There must be cross-organizational responsibility for customer and Enterprise Engagement.

In many cases, this might mean forming those responsible for different disciplines into an executive committee or group to champion, sponsor and drive the Enterprise Engagement initiative. While it will take time to integrate engagement across the enterprise for all of your key stakeholders, you should start by combining employee and customer engagement.

Again, referring to Gallup's work in *Human Sigma*, about a decade ago Gallup charted the progress of a bank that pursued a combined employee/customer engagement strategy over the course of several years.

The bank combined branding efforts in a manner similar to Intel. It used employee and customer engagement surveys and tracked, compared and correlated the results of front-line manager engagement initiatives and focused separate, intensive efforts on front-line sales and customer service employees – employees who interacted with customers most frequently.

According to the bank, more than $1 billion in additional deposits resulted from the effort. Yet, in a recent study in the U.S., only 21% of front-line staff of the top 100 companies could clearly articulate what their company does for customers and what role they play in it strategically.[16]

The integration of employee and customer engagement through a simple program such as Capri Casino's *See.Say.Smile* initiative demonstrates the synergistic relationship between the two. Studies going back as far as 1999 have established the strong, consistent connection between employee commitment, customer engagement and increased profits (see *The Employee-Customer-Profit Chain at Sears*, Harvard Business Review, 1999). In *Human Sigma,* researchers found that integrated customer and employee engagement results don't just double the benefit of one or the other (as might be expected); they more than *triple* the returns.[17]

SUMMARY
A customer engagement strategy in the absence of an Enterprise Engagement strategy, and most importantly, one that includes employee engagement, is bound to produce disappointing returns. In the context of a broader engagement strategy, customer engagement initiatives must recognize that social media is shifting power to consumers and employees; that communication is moving from mass to one-to-one; that the customer experience has become the competitive edge; and that employees are critical to the brand equation.

The C-suite is beginning to see the connection between engagement across the organization and among stakeholder groups, largely because of the overwhelming evidence that companies with engaged audiences outperform their competitors in the stock market.

---

16 See: http://www.mycustomer.com/topic/customer-experience/business-unusual-falling-loyalty-all-bad-news-customer-engagement/127816

17 Fleming, John.H and Asplund, Jim. Human Sigma, Gallup press, 2007. P. 207