

A woman in profile, looking down at a smartphone she is holding with both hands. She is wearing a dark jacket and a metal watch on her left wrist. The background is a blurred city street with warm, bokeh lights, suggesting an evening or indoor setting with large windows. The overall mood is focused and modern.

CUSTOMER ENGAGEMENT

Rosetta Consulting's Customer Engagement Survey
Part 1: The Marketer's Perspective

WELCOME TO THE EMPOWERED AGE

Welcome to the first in a series of three white papers on Customer Engagement from Rosetta Consulting. This first paper, based on the findings of the 2014 Rosetta Consulting Engagement Study, focuses on how business leaders approach customer engagement. The second paper will look at engagement from the customer's perspective, and the third paper will explore the value generated by a strong customer engagement strategy. Although these white papers treat the perspectives of the brand and the customer separately, it is critical to look at the relationship between brand and customer holistically.

WHY DOES CUSTOMER ENGAGEMENT MATTER?

Marketing has changed more in the past five years than it did in the prior century, and the pace of change will continue to accelerate. Today's consumers are empowered. They are smarter, better connected, and more informed than ever before. But marketers are also empowered. They have access to more data-enabled insights and better tools to drive connections, relevance, and engagement.

Brands today are defined by the fleeting and increasingly chaotic moments of interaction that occur between companies and people. Customers switch platforms up to 27 times an hour, yet they demand relevance and coherence in every interaction with your brand. In order to win in this new digital arena, brands must build relationships with their customers and deliver

great experiences across channels and over time that create engagement, rather than focus on a single interaction.

Rosetta Consulting found clear top- and bottom-line benefits to engagement. Companies that engage their customers well were 2.2 times more likely to have experienced an increase in market share in the past year. 86% of these companies also reported that they saw an increase in the previous year's revenue.

Engagement has a significant multiplying effect on the value that customers receive from and place on their brand experience.

The customer value equation can be represented as:

$$\text{VALUE} = (\text{BENEFIT} - \text{EFFORT} - \text{RISK} - \text{PRICE}) \times \text{ENGAGEMENT}$$

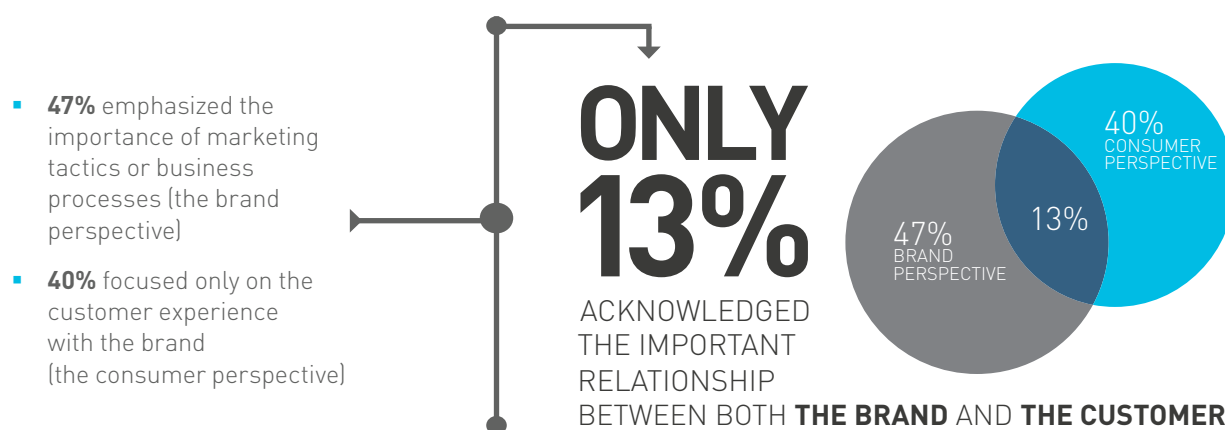
That is, as a customer evaluates his or her experience with a brand, there are many factors that may affect this outcome. Customers' level of engagement is built through their relationship with the brand, and acts as a multiplier of value. This equation is flexible; it can be applied to an individual interaction or transaction point, as well as to the brand experience as a whole.

For example, think about Burberry and Aquascutum. Both are iconic traditional British brands established in the 19th century, with an almost identical product—a high-quality, classic trench coat. Over the past three years, Burberry has seen its stock price increase by 126%, while Aquascutum has teetered on the brink of bankruptcy, and eventually saw its assets sold to a Chinese manufacturer. The difference, when mapped to the value equation, is entirely at the value multiplication level—the customer engagement that Burberry’s strategy fostered restored the brand’s relevance to a changing consumer target. Engaged customers have a higher willingness to expend effort, take risks, and possibly even to pay more, for the perceived value they gain. Engagement acts

as a powerful influence on customers’ perceptions of value, transforming their experiences with a brand. Fully engaged customers are worth more to the brand—they generate 23% more in revenue and profit than an average customer.*

Rosetta Consulting defines customer engagement as a **personal connection between a consumer and a brand that is strengthened over time, resulting in mutual value**. It’s an enduring two-way relationship that simultaneously delivers relevant experiences to your customers and greater profitability for your brand.

Yet, when business leaders were surveyed to provide a definition of customer engagement:



These results suggest that most of today’s business leaders struggle to clearly define customer engagement, how to achieve it, or how to measure its value.

ABOUT THE STUDY

The first half of the 2014 Rosetta Consulting Brand Marketing Survey polled 87 marketers and senior executives across industries about their approach to customer engagement. Each company was assessed on a broad range of best practice areas, including culture, capabilities, data and insights, measurement, strategy, and technology. Companies scoring in the top third of the sample were designated “Strong Performers.” Industries included healthcare, financial services, consumer goods, technology, retail, food and beverage, and hospitality.

*Gallup 2012

KEY THEMES

Through this study and over the course of its consulting work across Fortune 100 companies, Rosetta Consulting has observed and identified several best practices to deliver customer engagement.

First and foremost, it is essential to use the customer lens when evaluating your organization. Maintaining the traditional separations between lines of business—for example, separations between marketing and sales, channels and product, or customer service and R&D—creates clumsy disruptions in the customer experience. Furthermore, misalignment occurs when department-specific incentives and objectives clash with the overall goal of generating higher levels of engagement.

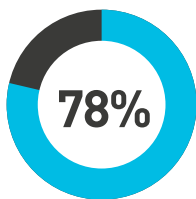
In addition, engagement and identity are two sides of the same coin—you can't effectively engage customers unless

you know a tremendous amount of information about who they are and why they make the choices they make. Our research indicated that Strong Performers are three times more likely than all others to report that a top reason customers engage with their brand is because “our brand is part of our customer’s identity.”

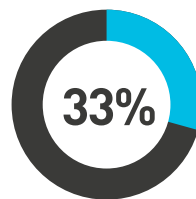
To a great degree, the more niche your community of customers, the more successful your engagement efforts will be. Targeting a specific set of customers enables you to understand them better and more closely tailor your strategy. “Big Data” can provide deep insight into your customers’ preferences and habits. Using the customer as the lens allows brands to turn information into intimacy and then use these insights to inform strategy and decision making.

CUSTOMER SATISFACTION ≠ CUSTOMER ENGAGEMENT

78% of survey respondents listed “customer satisfaction” as one of the top two terms they would use to describe the goal of their company’s customer strategy. Only 33% cited “customer engagement.”



78% LISTED
“CUSTOMER SATISFACTION”



ONLY 33% CITED
“CUSTOMER ENGAGEMENT”

However, relying solely on narrow terms, such as satisfaction, fails to capture the full richness of the customer experience and its impact on engagement.

A customer can be very satisfied, or have a single great experience, without becoming engaged. Engagement is more than satisfaction and represents a relationship between the brand and the customer that grows stronger over time. It results in a shorter path to purchase and creates loyal customers who advocate on behalf of your brand.

WHAT IT MEANS TO KNOW YOUR CUSTOMER

THE MOST PROGRESSIVE CUSTOMER ENGAGEMENT-FOCUSED MARKETERS ARE EXPERTS ON THEIR CUSTOMERS.

They have the processes in place to integrate both qualitative and quantitative information, deriving deep insights that form the foundation for decision making. They are able to analyze big data, collected from a wide variety of sources, to form a complete picture of the individual.

They know that behavioral-based models have a limited ability to distinguish between similar-looking people with different needs and motivations. While capable of driving early lift, these models quickly run their course,

with incremental investment resulting in diminishing return on investment.

For a more lasting impact, socializing holistic data throughout the company will generate longer-term returns, as this knowledge provides the context for strategy development.

Identifying who your customers are and how they behave enables you to target the right people. Understanding why they behave the way they do enables you to adapt the message, content, channel, and cadence to create highly relevant experiences.

WHO THEY ARE

- Segments that best align with your brand and market-growth potential
- Milestones and lifestyle—new parent, homeowner, preparing for retirement, hobbies, urban vs. suburban, etc.
- Advocates or followers

HOW THEY BEHAVE

- Moments when they interact with your brand
- Willingness to pay premium vs. discount price
- Consideration and evaluation habits—researchers or impulse buyers
- Responsiveness to rewards, campaigns, and programs
- Channel usage and preferences

WHY THEY DO IT

- Attitudes, perceptions, and values
- Brand Resonance: Customers often engage with brands that reinforce how they see themselves or how they want to be seen by others. A technology brand might reinforce their image as being cutting edge. A car brand might project status and wealth
- Where customers are in the customer journey and the role your brand plays at each stage

“WE KNOW THAT THE PATH TO PURCHASE NEEDS TO BE WELL PARSED OUT, BUT WE SOMETIMES RELY ON JUST GUT FEEL. WE NEED TO BE MORE DISCIPLINED ON HOW WE DERIVE OUR INSIGHTS.”

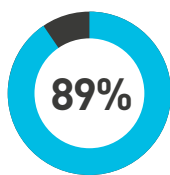
**Global Head of
Market Research,
Pharmaceutical Company**

DEFINING SUCCESS: 6 BEST PRACTICES TO GENERATE VALUE VIA ENGAGEMENT

01 UNITING ORGANIZATIONS ACROSS FUNCTIONS, WITH A CUSTOMER-FOCUSED CULTURE

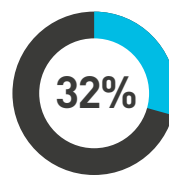
This includes ensuring that all employees, across departments and levels, understand their role in and impact on the customer strategy, and they are able to work in unison to deliver the desired experience. These companies align resources, incentives, and capabilities to create a consistent and meaningful customer experience that deepens the customer-brand relationship.

STRONG PERFORMERS:



89% SAY THAT SUCCESS IS DRIVEN BY DELIVERING A BEST-IN-CLASS CUSTOMER EXPERIENCE

vs.



32% OF OTHERS

- 64% report that they have integrated cross-functional groups (not silos) working together to deliver customer strategy, vs. 24% of others
- Are 3.3 times more likely than others to say that customer insights and metrics are shared with employees across all levels and functions

02 CAPTURING AND UNDERSTANDING HUMAN BEHAVIOR

This includes gathering data, putting the data into action, and using it to inform decisions about everything from strategy to product development to campaign refinement.

STRONG PERFORMERS:

- Collect an “exhaustive level of data, providing a complete picture of the individual” at 2.5 times the rate of others
- Are 3.8 times more likely than others to say they are able to identify where each customer is on the customer journey

3.8x



MORE LIKELY TO SAY THEY ARE ABLE TO IDENTIFY WHERE EACH CUSTOMER IS ON THE CUSTOMER JOURNEY

- 71% say that customer insights provide the foundation for defining marketing strategy and execution, vs. only 25% of others

“IT’S OFTEN MARKETING, PR, OR ADVERTISING THAT INVESTS IN AND UNDERSTANDS CUSTOMER ENGAGEMENT, BUT THE FAILURE IS THAT IT DOESN’T INFORM HOW THE REST OF THE ORGANIZATION SHOULD FUNCTION.”

**Managing Director
of Loyalty**
Global Hotel Group

03 CREATING RELEVANT BRAND EXPERIENCES THAT FEEL PERSONAL AND INTUITIVE, NOT PACKAGED FOR THE MASSES

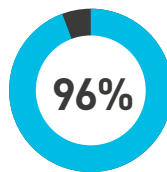
Consistent and relevant brand experiences should reflect both the brand's value proposition and a customer's individual identity. Carefully planned experiences, informed by data, can move the individual through the customer journey and deepen his or her relationship with the brand.

STRONG PERFORMERS:

- Are 6 times more likely than others to leverage real-time data to customize their marketing efforts
- Are 4.2 times more likely than others to say they have the technology platforms in place to customize marketing tactics across all channels in real time
- 96% of Strong Performers leverage customer data to design marketing campaigns and messaging

6x

MORE LIKELY TO LEVERAGE
REAL-TIME DATA TO CUSTOMIZE
MARKETING EFFORTS



96% OF STRONG PERFORMERS
LEVERAGE CUSTOMER DATA
TO DESIGN MARKETING
CAMPAIGNS AND MESSAGING

04 MEASURING SUCCESS THROUGH ENGAGEMENT AND THE CONSUMER PERSPECTIVE

While many brands rely on one-dimensional metrics such as "satisfaction" or "acquisition" rates, by using richer metrics to evaluate customer engagement, business leaders can quantify the positive financial impact to the brand.

STRONG PERFORMERS ARE:

- 6 times more likely than others to use Customer Lifetime Value metrics to evaluate marketing campaign performance
- 2.7 times more likely than others to evaluate marketing success by its impact on the customer experience as a whole, rather than by channel- or campaign-level metrics

2.7x

MORE LIKELY TO EVALUATE MARKETING
SUCCESS BY ITS IMPACT ON THE CUSTOMER
EXPERIENCE AS A WHOLE, RATHER THAN BY
CHANNEL- OR CAMPAIGN-LEVEL METRICS



**"CRITICAL
REQUIREMENTS FOR
A CUSTOMER-
FOCUSED STRATEGY
ARE CEO-LEVEL
COMMITMENT AND
SYMBOLISM THAT
PUTS THE CUSTOMER
AS THE PRIORITY."**

Chief Marketing Officer
Multinational Conglomerate

05 USING INTERACTION DATA AT THE CUSTOMER LEVEL TO CONTINUALLY LEARN, OPTIMIZE AND ACCELERATE FOR GROWTH

Brands that are able to leverage and automate the use of robust individual data can deliver triggered marketing communications to enable real-time adaptation and drive engagement.

STRONG PERFORMERS:

- Are 5 times more likely than others to say that customer data is automatically analyzed and made available to inform business decisions

5x



MORE LIKELY TO SAY THAT CUSTOMER DATA IS AUTOMATICALLY ANALYZED AND MADE AVAILABLE TO INFORM BUSINESS DECISIONS

- 68% report continual refinement of their communications plan based on customer data and marketing results, as opposed to 22% of others
- 60% more likely than others to use customer data to innovate and develop new products and brands

06 MEASURING LOYALTY, RETENTION, AND CUSTOMER ADVOCACY

Measuring loyalty, retention, and customer advocacy provides brands with insight into how these behaviors have positive financial impact. Brands can leverage this information to design interactions that encourage these behaviors.

STRONG PERFORMERS ARE:

- 3 times more likely than others to focus on customer metrics (such as loyalty and satisfaction) as much as or more than business metrics (such as revenue)

3x



MORE LIKELY TO FOCUS ON CUSTOMER METRICS AS MUCH AS OR MORE THAN BUSINESS METRICS

- 3 times more likely than others to use measures of loyalty and advocacy when evaluating if a change in strategy is needed

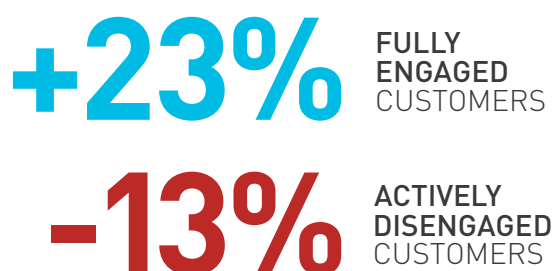
“WE ARE ALWAYS WORKING TO CREATE A SEAMLESS EXPERIENCE BY CREATING A CUSTOMER JOURNEY FOR ALL OF OUR BRAND’S TOUCHPOINTS, INFORMED BY DATA.”

Senior Director
E-Commerce Retail
Distributor

UNDERSTANDING THE VALUE

When brands deliver relevant, personalized content at the right moment, it's no longer an intrusion, but a benefit. As a result, leaders in customer engagement acquire more customers, create loyalty and continually build value over time.

Fully engaged customers represent an average **+23%** premium in terms of share of wallet, profitability, revenue, and relationship growth over the average customer. Actively disengaged customers represent a **-13%** discount on the same measures.*



*Gallup 2012

In Rosetta Consulting's study, 86% of Strong Performers saw an increase in the previous year's revenue, while only half of others did.

Strong Performers were 2.2 times more likely than others to have experienced an increase in market share in the past year.

2.2x



MORE LIKELY TO HAVE EXPERIENCED AN INCREASE IN MARKET SHARE IN THE PAST YEAR.

Regardless of what level of customer engagement a company currently has, it is never too late to start, and there is always room for improvement.

The Rosetta Consulting Customer Engagement maturity model is a simple diagnostic tool that helps our clients understand where they are today. For more information, please contact:

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ABOUT ROSETTA CONSULTING

Rosetta Consulting specializes in unlocking human behavior to drive business growth for today's leading brands. It has created growth strategies based on increased customer understanding and intimacy for one out of every five Fortune 100 companies in more than 30 countries worldwide. Marketing strategies that are informed by these insights typically experience at least a 50% lift.

Rosetta Consulting delivers fully scalable, valuable insights by creating a holistic yet deeply detailed picture of the target customer, using proprietary methodologies to analyze inputs, and maintaining a sharp focus on the actionability of the results.