

ROSETTA | CONSULTING

Customer Engagement from the Consumer's Perspective

THE SECOND OF THREE WHITE PAPERS BASED ON
THE FINDINGS OF THE 2014 ROSETTA CONSULTING
CUSTOMER ENGAGEMENT STUDY



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=The Ideal Customer

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WELCOME

Welcome to the second of three white papers on Customer Engagement from Rosetta Consulting. Based on the findings of the 2014 Rosetta Consulting Customer Engagement Consumer Survey, this paper examines what it means to be engaged with a brand and explores how consumers experience engagement. The first paper in the series focused on best practices for business leaders approaching customer engagement. The third paper will explore the relationship between financial value and delivery of a strong engagement experience. Although the perspective of the brand and the customer are treated separately in the white papers, it is critical to look at the relationship between brand and customer holistically.

01 The Engaged Consumer = The Ideal Customer

Engaged consumers are the ideal customers. They aren't simply "Satisfied" with your product or service. They aren't just "Loyal" repeat buyers. And the dedication to their favorite brands extends well beyond their willingness to "Advocate." Engaged customers are all three of these things, and more. And the value of these customers is clear – they buy 90% more frequently, spend 300% vs. others each year and are 5 times more likely to indicate it is the only brand they would purchase in the future.

Engaged Customers:

 **90%**
more frequent purchases

 **300%**
spend vs. others each year

 **5x**
more likely to choose brand for future purchase

Rosetta 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 active relationship that simultaneously delivers on your customers' needs and generates greater profitability for your brand.

This paper unlocks engagement from the customer perspective. It details the emotions, behaviors and experiences that are true differentiators in a brand relationship.

Emotions, behaviors and experiences are the true differentiators.

By highlighting the differences between the brands that simply meet our expectations – those that we purchase from regularly but have little attachment to – versus the brands we feel truly passionate about, marketers can develop measures of engagement and an action plan to foster it.

We will examine what defines an engaged consumer in three parts: how engaged customers feel, how engaged customers behave and the value of engaged customers.

WHAT DEFINES AN ENGAGED CONSUMER?

Research shows that interpretations of engagement vary widely across companies and even within departments. The term is used to describe a brand's "best" consumers, but often remains undefined, obscuring the goal. Engagement is complex. Like a human relationship, it is the culmination of ongoing interactions and experiences with the brand. A simple five-point scale question, like that typically used to measure satisfaction, will never capture the nuances and intricacies of this relationship.

Rosetta Consulting surveyed 4,800 consumers to examine all facets of engagement to better define and measure this key characteristic. This data was used to better understand highly engaged customers including the characteristics and experiences shared by these valuable customers.

Since companies manage what they measure, it's critical to develop a disciplined understanding of engagement and how to quantify it.



ABOUT THE STUDY

The 2014 Rosetta Customer Engagement Consumer Survey polled 4,800 U.S. consumers about their experiences with 83 market-leading brands. Respondents were surveyed on attitudes (including perceptions, feelings and opinions), as well as behaviors (including advocacy, interactions and transaction history). Brands from 15 different industries were measured including financial services, consumer goods, technology,

telecommunication, retail, food and beverage, and travel and hospitality. Highly engaged consumers were identified using a predictive scoring mechanism that selected the respondents that best demonstrated a broad range of key engagement characteristics. These characteristics include advocacy, loyalty, increased transaction and interaction rates, as well as positive feelings and experiences associated with the brand.

Study Included:

 **4,800**
U.S. consumers

 **15**
categories

 **83**
market-leading brands

02 How Engaged Customers Feel

ENGAGEMENT IS PERSONAL

Engaged consumers sense both the tangible and intangible value a brand provides. While difficult to quantify, these emotional needs are often what sets great brands apart and transforms customers from loyal followers to active engagers.

Highly engaged customers have a personal connection to a brand, built on experiences that drive affinity with its ethos. Highly engaged customers recognize when a brand understands their personal needs.

Personalize:

 **6x**
more likely to believe the brand “knows who I am”

 **4x**
more likely to agree, “this brand knows what I want”

Engaged customers believe that the brand reflects their personal identity – both how they

see themselves and how they want others to see them. For instance, the Procter & Gamble “Thank you, Mom” campaign during the 2014 Olympics highlighted the brand’s family values. Using Tide doesn’t just get out stains – it signifies that you are a caring mother invested in your child’s dreams and aspirations.

Affiliate:

 **6x**
more likely to agree the brand “reflects my personal values”

This affiliation with a brand creates a sense of community and identity shared with fellow customers. This shared identity can further reinforce brand choice.

In a classic example, although Harley-Davidson builds a quality bike, it is not solely the product that attracts customers. Bikers rally behind the cultural connection, identity and mystique built around the brand. As described by Professor Neal Roese and Mohan Kompella at the Kellogg School of Management, “The Harley-Davidson customer not only bought the branded product, but also lived a branded lifestyle embedded



within a unique subculture. [Customers’] loyalty embraced not just repurchase but also commitment, a psychological state in which the individual placed large stakes on continued affiliation with the brand and its community.”*

In other words, riding a Harley, belonging to a “H.O.G (Harley Owners Group)”, says something about who you are and where you belong.

*Source: Kellogg School of Management.

Harley’s support of these groups, as well as its clothing and accessory lines, reinforce this sense of community.

Create Community:

 **8x**
more likely to “feel a connection with others who are the brand’s customers”

The emotional needs a brand fulfills are often what sets great brands apart.

ENGAGEMENT FULFILLS EMOTIONAL NEEDS: BEYOND SATISFACTION

Although engaged consumers show high rates of satisfaction and report that their functional needs like convenience and quality are met, these attributes alone aren't enough. Think of satisfaction as the price of admission. Engagement goes well beyond this, providing multi-dimensional value to customers.

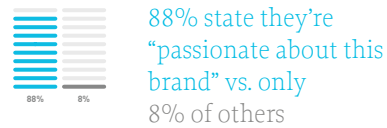
Provide Value:

\$ 6x
more likely to believe "this brand is worth more than I pay for it"

Over time, as consumers accumulate more and more positive experiences with both the product and the brand, their relationship and emotional commitment deepens. Engaged

customers develop trust, loyalty and fondness for the brand. They may even say that they "love" or feel "passionately" about it.

Encourage Commitment:



While more difficult to track and quantify, maximizing the emotional connection pays off. Take for example, Disney, with its deliberate plan to deliver on emotional needs. Ever since Walt Disney opened his first park, he was adamant that making each person feel both welcome and special, would lead to a visceral and lasting connection to the brand. Disney established a wholesome,

family-oriented image, but made sure its appeal went far beyond cute characters.

Positive emotional experiences flood the theme park experience: from low-tech solutions such as giving birthday boys and girls nametags so they can be greeted to the technology found in its new Magic Bands. This innovation streamlines the park experience by including tickets, line vouchers, payment capabilities, and more in an RFID-enabled wristband. The band certainly makes visiting parks more convenient for guests, but now Disney can track wearers' interactions and customize their experience. For instance, when a little girl meets Cinderella, Cinderella now knows to ask her "how did you like having breakfast with Mickey this morning?" Through these crafted, meaningful experiences, Disney has successfully created a place where visitors aren't seen as paying customers, but rather as "guests in our own home."

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ENGAGING EXPERIENCES FEEL RELEVANT AND MEANINGFUL

Companies are able to create consistently engaging experiences only when they have a solid foundation of best practices that go well beyond a single campaign, channel or experience. Engagement is driven by experiences and interactions that are simple, consistent, relevant, interactive and trustworthy. Customers want to know that a brand is making an effort to treat them as an individual, and respects the effort they put into being a customer.

Deliver Relevance:



4x
more likely to feel the brand's "communications are relevant"

4x
more likely to feel the brand "knows how I prefer to interact"

One top brand that has mastered relevance is Amazon. When they recommend a product, that prompt is based not only on purchase history, but on browsing habits, product ratings, wish lists, and other customers' shopping and purchase patterns. With every interaction, Amazon's recommendation engine learns more about your preferences and habits, increasing the relevance of communications. One Forrester analyst estimated that, due to this high level of personalization, Amazon's conversion rate for on-site recommendations could be as high as 60%.*

As a customer builds familiarity and trust with a brand, a relationship develops. And not unlike a friendship, engaged consumers see their relationships with their favorite brands as mutual — they give a lot and they get a lot. For highly engaged consumers, the tangible and intangible value they receive from the brand outweighs the effort and cost they expend as loyal consumers.

*Source: Fortune, July 30, 2012.



03 How Engaged Customers Behave

ENGAGED CUSTOMERS DEEPEN THE RELATIONSHIP: INTERACTION AND CROSS-SELL

Engaged customers act on their desire to create closer ties with the brand. They trust it and are willing to take steps to deepen their connection. Starbucks has taken advantage of this active engagement through its MyStarbucksIdea.com website. It enables customers to make suggestions about products, the customer experience and community involvement. Visitors can vote on ideas and see updates on suggestions put into action. The site has received nearly 200,000 suggestions – many of which Starbucks implemented, including bringing back banana nut bread and building bike-friendly facilities – and each one of those comments represents a customer seeking deeper engagement with the brand.

Tangible and intangible values received from a brand outweigh consumer effort and costs.

The brand benefits not only by encouraging interaction, but also from the real-time feedback and customer insights.

Highly engaged customers interact more with their brand of choice.

Encourage Interaction:

 **4x** more likely to “appreciate when this brand reaches out to me”

 **7x** more likely to “always respond to this brand’s promotional offers”

Beyond marketing interactions, they are more willing to try new products from the brand to broaden their brand relationship. They are also more likely to upgrade and respond to cross-selling efforts.

Encourage Commitment:

 **6x** more likely to say they would “try a new product or service from the brand it as soon as it becomes available”

 **2x** more likely to upgrade or purchase additional services from the brand

 **2x** more likely “to spend more money on this brand even when a competitor had a slightly lower price/better deal”

In fact, engaged consumers are even willing to overlook occasional functional and convenience-related shortcomings. Despite a barrier to purchase, a negative experience, or even higher prices, the most engaged consumers often stay committed.

For example, when the iPhone 5 was released, there were more than 1,400

people waiting in line at Apple’s flagship 5th Avenue store in Manhattan for the midnight release – some had been there for weeks. These are not customers looking for convenience, the lowest price or a product that has all the bugs worked out. They are highly engaged customers devoted to the Apple brand who are willing to spend time and money to deepen their commitment.

ENGAGED CUSTOMERS WANT TO SHARE THEIR EXPERIENCE: ADVOCACY

Naturally, engaged customers want those around them to enjoy the benefits they get from the brand they love, and they advocate accordingly. But there is more to advocacy than altruism. We’ve already seen that engagement can reinforce a customer’s identity and cultivate a sense of belonging to a like-minded group. There’s no better validation of that identity than to sway others to your point of view. By sharing their experience, engaged customers are positioning themselves as opinion leaders in their social circle and even among people they don’t know as well.

There’s no better validation of brand identity than to sway others to your point of view.

Highly engaged customers are more likely to be classified as Promoters according to the NPS scoring system and advocate at significantly higher rates.

Promote Advocacy:

 **3x** more likely to advocate to friends and family

 **4x** more likely to advocate to colleagues and acquaintances



American Express was able to build engagement and harness the power of advocacy through its Small Business Saturday campaign. Although American Express has always focused on relationship building and the idea that “membership has its privileges,” that membership extends to small business merchants as well. The company created a social media community for small business owners to share ideas, learn from each other and grow their businesses by promoting Small Business Saturday. The community generated more than 2,700,000 Likes, 195,000 Tweets, and American Express saw a 23% increase in transactions to small business merchants after its creation.

04 The Value of Engaged Customers

Intuitively, marketers understand that engaged consumers are worth more – they are loyal, sticky and they advocate on behalf of the brand. When examining hard measures of value, such as spend and frequency of purchase, this perception proves true. Highly engaged consumers are worth significantly more to the brand; specifically, they spend more and will continue to do so in the future.

Highly Engaged Consumers:

60%
more spent in each transaction

90%
90% more frequent purchases

3x
annual value per year

They are also more likely to choose the brand in the future:

Foster Loyalty:

5x
more likely to say, "this is the only brand I would choose"

Take, for example, athletic clothing shoppers. When we compare highly engaged athletic clothing customers to non-highly engaged customers, we see that highly engaged consumers spend 97% more on average (\$112 vs. \$57) and purchase 94% more frequently (4.76 times a year vs. 2.45).

And despite significant market and competitive differences across industries, these trends are present from financial services to fast food and from laptops to lodging.



HIGHLY ENGAGED CONSUMERS...



...BUY
90% MORE
FREQUENTLY



AND SPEND
60% MORE
IN EACH TRANSACTION



...RESULTING IN

3x
VALUE
EVERY YEAR



05 Harnessing the Value of Engagement

Is your brand doing everything it can to drive engagement among your customers? For more information on bringing your organization up to speed on engagement best practices, make sure to read the first white paper in this series, available here. That paper outlines the foundational competencies for a strong engagement strategy.

Even small improvements in engagement metrics can dramatically increase your value to your customer

In addition, Rosetta Consulting can help you determine how well your brand is engaging your customers and how even small improvements in engagement metrics can dramatically increase the value of those customers to your business.

For more information on the 2014 Rosetta Consulting Customer Engagement Survey or how we can help your brand benefit from a more engaged customer base, please contact:

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ABOUT ROSETTA CONSULTING

For over 15 years, Rosetta Consulting has been a catalyst for unlocking reciprocal, long-term, engaged relationships between companies and their customers, delivering mutual and measurable value. Past client work has included creating demand driven growth strategies based on deep customer understanding and intimacy for one out of every five Fortune 100 companies in more than 30 countries worldwide. Marketing strategies informed by these insights typically experience over a 50% lift.



Our holistic approach includes:

- A Three Dimensional View of Business + Demand + Technology
- Next Practice, Forward-Looking Innovation
- Integrative Solutions, Biased to Action

Piers Platt, Associate Partner, and Kara Schnoes, Director of Rosetta Consulting contributed to this report.

The value of highly engaged customers goes beyond spend. They are also more loyal and willing to advocate on behalf of the brand.

