



Engagement: The Key Metric for the Future

by Curtis N. Bingham

**CHIEF CUSTOMER OFFICER
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Curtis Bingham is the recognized authority on chief customer officers and the first to promote this role as a catalyst for competitive advantage. He is the creator of the CCO Roadmap, a groundbreaking work containing 100+ critical strategies essential for customer centricity. As an international speaker, author, and consultant, Curtis is passionate about creating customer strategy to sustainably grow revenue, profit, and loyalty.

Who Needs Customer Engagement?

When Wired's editor-in-chief was asked, "How do you engage your customer communities in developing your strategy?" he responded, "We're not involving them as much as they would like. I'm afraid that if we open up our communities widely to our customers, they would be so busy talking that they wouldn't listen to us." Asked the same question, the CMO of Old Navy said, "I don't advocate involving customers in the brand strategy. That's like giving a 12-year-old the keys to the car."

Sadly, many companies share this arrogant attitude, believing that customers are vessels of consumption and nothing more. Customers are taking charge, however. They expect great service, superb experiences, and more recently, they have begun to demand involvement in the brand and its strategy. They penalize companies that remain distant and aloof.

Today's arrogance will become tomorrow's irrelevance. To remain relevant in the face of skyrocketing competition and activist customers, companies must strategically engage customers in acquisition, retention, innovation, operational efficiency, and in truth, in overall strategy. Engagement extends loyalty, strategically involving the most valuable customers in the business. Because it is based on observable behavior, engagement is more easily measured than and serves as a leading indicator for loyalty. As well, engagement is more easily correlated with revenue. For Oracle, engaged customers provide 33% greater revenue.

***There are two key components of customer engagement:
advocacy and involvement.***

What Is Customer Engagement?

Customer Engagement Defined

Many companies view “engagement” as simply the amount of time a consumer was “interrupted” and spent viewing an on-screen advertisement. This view of engagement is highly restrictive and only minimally useful.

Customer engagement is properly defined as:

“The extent of a customer’s willingness to invest his/her discretionary time with a company for mutual benefit.”

The measurement of engagement is:

“The sum of the customer activities that build positive emotional attachments leading to greater customer involvement **that positively impacts revenue and profits.**”

There are two key components of customer engagement: advocacy and involvement. The most successful companies with an engagement strategy materially involve customers in their growth efforts, especially in marketing efforts such as acquisition and retention, operations, product and innovation, as well as overall business strategy. To succeed, customer engagement efforts must have a correlation to growth metrics, especially revenue and profits.

Engagement: the key metric of the future

Engagement is intuitive. If customers are accepting sales calls, participating in innovation processes, speaking at conferences on behalf of the company, pinning products on Pinterest, and advocating company products on Facebook, they are clearly more likely to repurchase, increase company share of wallet, with reduced price sensitivity.

Engagement is a more accurate measure of customer perception and is a leading indicator of loyalty. Loyalty is a subjective measure of an emotional state, whereas engagement is an objective measure of actual behavior. One of loyalty’s greatest challenges is measurement of true loyalty. Loyalty is typically measured once or twice annually via survey. But surveys merely capture a snapshot of the customer’s emotional wellbeing at that moment. This snapshot could be adversely affected by factors outside the company’s control. Survey granularity is often insufficient to discover crises in the making. In addition, customers are experiencing survey fatigue and response rates are falling, further masking potential crises from view. By contrast, engagement is based on observable behavior: is a customer participating in relevant activities that lead to purchase/renewal? By structuring metrics with sufficient granularity, a company can tell how often and to what degree a customer participates across a range of platforms and activities over time. Waning participation is a leading indicator that loyalty and future revenue may be at risk.

Engagement is highly correlated with revenue. Oracle's most engaged customers generate 33% greater revenue. They are 4% more loyal and grant Oracle 12% greater share of wallet than transactional customers. PeopleMetrics found that companies focusing on customer engagement realize a 13% revenue reward, compared to a 36% revenue penalty for those companies obstructing customer engagement.

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This is the Age of Engagement. Customers are demanding to be heard and involved. The most successful companies will grow as they engage customers in customer acquisition, retention, operations, innovation, and even strategy.*

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About CURTIS N. BINGHAM

As Executive Director of the Chief Customer Officer Council™, Curtis Bingham is the recognized authority on chief customer officers and the first to promote this role as a catalyst for competitive advantage. He is the creator of the CCO Roadmap, a groundbreaking work containing 100+ critical strategies essential for customer centricity. He has created the comprehensive Customer Centricity Maturity Model used to assess and guide customer-centric organizational strategy, and is a champion of customer engagement as a critical growth engine. As an international speaker, author, and consultant, Curtis is passionate about creating customer strategy to sustainably grow revenue, profit, and loyalty.

About THE CHIEF CUSTOMER OFFICER COUNCIL

The CCO Council is a powerful and intimate gathering of the world's leading customer executives from widely diverse industries. The Council helps executives achieve objectives faster and more easily by leveraging best practices. It helps validate and refine strategies and initiatives to avoid experimenting at customer expense. Membership is by invitation only, and purposefully cross-pollinated with the most forward-thinking companies, large and small, so as to help customer executives deliver solid, customer-centric business results. For more information, email info@ccocouncil.org or call 978-226-8675.



The Customer Engagement Trajectory – In this ***Bingham Advisory*** you'll learn the definition of customer engagement and how engagement can be measured. You'll learn about the Customer Engagement Trajectory, a framework for understanding where engagement emerges in the business-customer relationship and provides its greatest value. In addition, you'll also learn how real world companies such as MetLife, Oracle, and Riot Games are engaging their customers and enjoying bottom line improvements to revenue and shareholder value as a result.

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