ENGAGEMENT FOR A CHANGING WORLD

A research study of how engagement is perceived and a proposed framework to re-define engagement in the age of digital transformation

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The arrival of what is now being called the “age of the customer” has caused businesses to focus on how to interact better with their customers, how to build stronger relationships, and how to ensure that those relationships generate trust and engagement over time.

Unfortunately, the way to do this has been neither easy nor well documented. Each organization that has, in some measure of success, addressed these issues has done it in a way that is difficult to repeat. Our goal was to build a conceptual model for customer engagement that would provide a framework for repeatable success, and test that model against the ideas and lessons learned by a group of senior executives that have done so across industries, through a series of in-depth interviews with these executives.

The whole idea of a customer “relationship” with a business is problematic, as it tends to be misinterpreted or distorted by comparison to personal relationships and personal emotions (for example “I don’t want a relationship with my insurance company” or “… bank”). From the business side it is also problematic, with 75% of our interviewees saying that they don’t know how to engage with customers.

And yet what we learn from many studies is that engagement over the long-run is the best way, if not the only way, to generate value for both the customer and the business at each interaction.

Relationships that do not build long-term trust and engagement have limited, if any, value to both parties.

The core principles that guide interactions between a business and its customers should be a combination of trust and knowledge over time, and this will build to engagement. Of course, finding and using the right knowledge is not an easy task, nor is it to build trust, but we have identified the key tenets:

1. There are four elements to building trust: repeatability, longevity, unselfishness, and equality (equal exchange of value over time).
2. Knowledge can only be used in situations where both parties benefit; the outcome of knowledge is value for both parties.

Measuring value, while a very complex concept that spans simple metrics to complex value networks, is what determines the ability to transform a single interaction into a chain of results that will ultimately result in engagement – or not. Without value generated at each interaction to fulfill the needs of the customer and the needs of the business, there is neither trust generated, nor long-term engagement possible – and a loss of knowledge at each interaction results as well.

Leading executives have told us that while they are still working on refining their attempts to build engagement, the results they are getting are sufficient to justify continued and extensive investment.

The framework presented in this paper provides a comprehensive and clear model for customer engagement, which can be used to drive engagement programs and deliver measurable business outcomes.
Understanding the true nature of the relationships between a business and its customers is a complex task. Ever since the early 1980s we have been toying with the concept of CRM (Customer Relationship Management) [1], but it has only been in the past 20 years that we have had software to help businesses in that task. Even with this introduction, the concept and the practice have not improved much; in most cases it became even more complicated since the software typically endorsed a set of practices that the business organization was not using, or not able to use. And the constant change in the relationship dynamics with customers placed businesses in the position of forever catching-up.

The advent of the ‘Inbound revolution’ and the change in direction of the communication (where the customer is now more in control than ever before) brought the concept back to the forefront [2]. The adoption of Social Media and Social CRM was an attempt to deal with that onslaught of changes, but it did not succeed. The issue is not more software: It is about restoring the customer to the center of the business.

This lack of success (it was not a failure, as many things were improved in the process) is the best indicator we have, as a society and a corporate world, of the limited progress we had made in our understanding of how customers and brands should interact, and how outcomes for both could be improved.

Indeed, it is another evolution in this universe and one that is led by the concept of engagement. It is the lack of a working definition of engagement for businesses, and a model for working with engagement, that we will discuss in this report.

We conducted extensive and fascinating interviews with 33 senior managers of Customer Strategies across different industries. These interviews were designed to discover their current perspectives and how they see their worlds evolving. We discussed everything from definitions to best practices in detailed conversations. We also collected some data points that we share in this report.

What follows is a summary of the findings as well as the development of a new framework to define and measure engagement in this new world.
ENGAGEMENT AS A CORPORATE OBJECTIVE

The very first thing we noticed when we approached this project, and the reason we wanted to interview senior executives, was that there is little if any consensus in either defining or implementing engagement initiatives.

If you ask ten people for a definition of engagement from a personal perspective, they will all agree it is a long-term commitment between two people to be together. If you shift the definition to business, you will get any number of different interpretations, all trying to adapt the concept of human relations to business.

This seemed a good place to start.

DEFINING ENGAGEMENT

We started out by trying to establish a baseline reference to start from, a place where we felt there was an agreement from which we could move forward. We consulted the dictionary [3] for a definition of engagement and related words [4]. These definitions were all focused on the common actions between two individuals, and this is the first problem mentioned in virtually all our interviews: how can you translate a human concept to businesses?

The best way we found to do this is to break-down a relationship, and long-term engagement, into stages and focus on how a business would adopt and implement those stages; this is very well explained in various academic and business studies (see for example [5] and [6]), and strongly endorsed in the conversations we had during the course of our research. Relationships between people and companies can only happen in situations where the business acknowledges that the relationship is not personal.

In the vast majority of our interviews, the executives talked about the lack of sentiment in the relationships between businesses and customers. One of the leaders interviewed even said “we cannot replicate those feelings for businesses; the answer is not to make corporations more human, but to replace the need for feelings and emotions in engagement”.

This is a good starting point for re-thinking engagement. If engagement is not an agreement to move forward together based on similar feelings then what should the basis for engagement be?

Digging a little deeper into the concept, we found that no engagement is possible without an enduring relationship – and that all relationships must have a few attributes to become effective: a common goal, a common set of rules, and a “currency” to provide value at each interaction [7, 8]. It must also occur over time, not as a single interaction. When these items are covered, a relationship is effective [9].

The general feeling with common goals is that the goals are different: companies want to sell, customers want to buy. There is an overarching feeling that this is changing; customers are no longer just interested in buying – they also want to contribute to the goal of the business (selling better) while getting benefits from this.

The new definition of a common goal is not to sell more and buy more - or even to reach an equilibrium between selling and buying - but to find a way to work together towards a better product and a better experience: both to create and use the product or service.
And it is also this new drive, pushed by the shift to inbound communications, which has changed the common rules for the relationship. In the old model, these rules meant how to obtain the product, how to pay for it, and how to use it: now we have common rules on how to collaborate better, including co-creating value, products and services, and better relationships.

There is almost unanimous agreement among the people we talked to that this is the biggest change affecting businesses in the last twenty years (even more than the internet, which changed communications but not the objective of them). And this is what is driving a shift in how we look at relationships and, ultimately, engagement.

Indeed, there is now an emerging recognition that long-term engagement is a far more strategic way to look at customer-business relationships [10], and the drive to create customer-centric, engagement-focused businesses is on.

What we need is a model to focus on, a deconstruction of the stages of long-term engagement between companies and customers.

Thus, one of the conclusions from our conversations is that the new definitions for the three elements of engagement are: common goals (collaboration), common rules (knowledge), and currency (trust) combined over time help define the new engagement. If we were to try and express this symbolically, we would have:

Looking at it from the perspective of the business engaging with customers and assuming the goals and rules of engagement are rooted in knowledge (knowledge being used at each interaction to ensure a satisfactory outcome for both business and customer) we would get:

Engagement is a function of knowledge and trust over time

\[
Engagement = f(n) \left( \frac{Knowledge \times Trust}{Time} \right)
\]

Based on these conversations and research, we came up with a simple model to define engagement, as depicted in the following schematic.

Fig 1
Our research ratified findings from other projects showing that customers prefer channels that generate trust and leverage knowledge over those that are faster but not as accurate or trustworthy [11]. While customers want prompt answers, they rate accurate answers above the speed at which they happen.

In evaluating why this is, customers unequivocally said that providing the right answer leads to trust, one of the critical elements in building engagement. The secret for businesses then is to focus on how to generate more trust, and what fuels that trust [12].

Let’s explore, as we did with our respondents, the elements of this new model for engagement in the next few sections, concluding with a framework to bring all these pieces together.

**TRUST AND ENGAGEMENT**

Among the words and concepts improperly used to “manage” relationships by businesses trust is near the top. While it is true that relationships without trust don’t flourish – it is impossible to generate trust from an inanimate entity such as a business and a person [13]; only people have the capacity to trust whereas businesses cannot trust a person. Businesses can build better relationships when trusted [14] but cannot generate trust themselves; the brand promise becomes their trust proxy and trust as a currency for long-term engagement is particularly useful.

There are four elements to building trust between people: repeatability, unselfishness, longevity, and accuracy [15].

In other words, delivering what is in the best interest of the other person in the relationship, accurately and repeatedly over time, generates trust. This trust is what engenders long-term relationships and engagement among humans [16] – and is a lesson business could learn.

The trust customers place in a business has its genesis in the brand promise. This is what the business says it will do and, in interactions with customers, is what they should deliver on. The ability to deliver on their promise is what engenders trust.

When we asked respondents about the core attributes for their brand promise we found many different answers, but they all centered about the same principles: deliver what was promised (repeatability) and needed (accuracy); make sure there is value generated for the customer (unselfishness); and understand how to retain customers over the long run (longevity). The words used to describe these parallel statements by our respondents may have been different, but the concepts were the same.

Based on this correlation between promises made by the business and the four principles for trust, we reach the conclusion that the brand promise is the foundation on which companies leverage trust from customers and in return affirm their role in the relationship [17].

As in human relationships, the trust generated is what (over time) engenders engagement. Just as a person would not engage in a long-term relationship with another person after just one meeting or interaction, a business cannot expect their customers to be fully engaged with them after one interaction or product purchase.
Tracking the right metrics to ensure that, over time, this trust grows is the key to building engagement with customers.

This is why trust is the currency of engagement [18]; it is the metric that defines the value of engagement. Without trust, there can be no engaged relationship. The level of trust is an indicator of the level of engagement.

**KNOWLEDGE AND ENGAGEMENT**

At each interaction between the customer and the business there is an exchange of knowledge. Regardless of the specific business purpose (sales, marketing, customer service, administrative, shipping, etc.) knowledge is the basis for the interaction. The customer must have specific knowledge about themselves to provide to the business, and the business will have specific knowledge to provide to the customer about the available products and services.

In most cases, it is a balanced exchange of knowledge that determines the outcome of the interaction: the more the business knows about the customer, the better knowledge it can deliver from its existing repositories of knowledge [19].

Knowledge is the result of combining the common goals and the common rules of the interaction. This is one of the important conclusions that came out of discussions with our respondents about knowledge. In setting common goals for the interaction, the customer and business agree on the expected outcome.

As you can imagine, with many use cases and potential interactions between a business and its customers, agreeing on a common goal for all of them is a monumental task – but finding a common element to build on is not. This common element is knowledge, and the more knowledge both sides contribute, the more likely it is that there will be an outcome that meets the expectations of both sides.

The common rules reflect the understanding between parties that the information shared by both will be restricted in use for interactions between the customer and the business, and that over time this shared knowledge will increase and yield a better understanding by both sides.

The common rules may be as simple as a privacy policy, or as complicated as following governmental restrictions on what to do – but the bottom line is that they must exist.

Knowledge is the element that fulfills these definitions and fits within the proposed algorithm: if the business knows the customer and combines that knowledge with the trust it has engendered in the customer over time, it leads to engagement.

On the other hand, if the business does not know the customer, or does not have the right information to provide when the customer interacts with it – it is highly unlikely that it will either engender trust or create engagement.

Similarly, customers that don’t facilitate the business learning and building their knowledge about them, make it very
difficult for business’s trust in the customer to grow, thereby detracting from engagement.

Knowledge between the parties is what generates trust, and that trust is the currency for engagement – making knowledge an essential component of the engagement algorithm [20]. Now that we have an agreement on what each of the elements of engagement are we can start the most complex task: how to measure it.

**MEASURING ENGAGEMENT**

How is this trust generated by businesses?

If trust, as most of the respondents said, is about keeping a brand promise, and this happens through accurate knowledge, then value is how it is measured.

When we started this project we wanted to find out, amongst other things, the outcomes of implementing an engagement strategy for a business. We started with the assumption, driven by early research, that value is the outcome of a well-implemented strategy.

We discussed with respondents several aspects of value, such as concepts, definitions and measurement, and what they were doing to define and measure it. The most common assertion was that value is not a single metric in each interaction, but there are in fact two metrics:

- Value delivered (to the client)
- Value obtained (by the business)

Although there were many words used to define value delivered to the customer, the common elements used to define it were monetary at each exchange and emotional over the long-run.

For example, in the short term customers may perceive value by getting discounts, promotions, low prices, and coupons or special offers at the moment of each interaction. This value perceived by the customer over time becomes an emotional attachment to the brand, resulting in a long-term perception of value that translates into loyalty.

Value obtained by the business has no emotional or sentimental long-term value. Short term value received, in each interaction, can be measured by monetary elements like profit, revenues, and meeting specified KPIs or metrics related to revenue. When asked for the long-term measurement of value for the business, virtually all respondents talked to Customer Lifetime Value (CLV) as the driving force and metric [21].

These findings are similar to other research done in terms of value, but they fall short of showing a sustainable long-term model. A model that can be used again and again must result in comparable value to both customer and business at each exchange, measurable and traceable regardless of the uniqueness of each interaction.

As we discussed above, engagement requires a common objective, not different ones.
The key problem that all these conversations uncovered was that there was no long-term value exchange, but rather interaction by interaction with a hope and expectation that it would translate into long-term value to the customer (with long-term value for the business assumed in the financial benefits sought).

In other words, loyalty was not an assumed outcome but rather a hope that customers will evolve into it as time went by [22]. Unfortunately, hope is not a sustainable business model.

**ENGAGEMENT AS A VALUE CHAIN**

Time is the defining dimension of engagement. Thus, a model for engagement must have a common concept of value over the long term for the business and its customers to become engaged i.e. a model that measures value for each interaction and contact separately, but then builds an accumulative value.

As Michael Porter has shown in his research, this model is the value chain [23]: building long-term value by dissecting it to smaller portions of the business chain. In a customer-centric business most of those portions are explicitly or implicitly related to interactions with customers and, as it has been shown many times in many ways, knowledge is the basic building block of customer interactions [24].

Building on the model discussed so far, and adapting the concept of the value chain to progressive building of engagement, we are led to the following:

- Each interaction has a value for both the business and the customer.
- The data points for calculating that value are (i) trust generated and (ii) knowledge used.
- The calculation will yield two values: one for the customer and one for the business.
- Making those values sustainable over the long-term, and similar over the short term, is what builds long-term engagement.

Discussing this with the respondents in our survey confirmed what we suspected when we started: the vast majority of them mentioned engagement as a goal, but weren’t sure of how to go about developing it or how to measure it. When we explained how an engagement value chain can be built and used to ensure the goal of engagement is reached, virtually all of them (with one exception) agreed that it was worth trying, while acknowledging that they didn’t necessarily know how to go about implementing such a model.

**SURVEY RESULTS**

- **3/4** only have operational data on customers
- **Half** have survey data on their customers
- **1/8** have sentimental data on their customers
- **4/5** are deluged with data and knowledge of their customers; don’t know how to organize or what to do with it

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**There are 4 elements to building trust between people:**
- Repeatability
- Unselfishness
- Longevity
- Accuracy

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A NEW FRAMEWORK FOR ENGAGEMENT

The goal for this study was not only to reach an understanding of what engagement meant and, how it could be measured from the perspective of different stakeholders, but also to craft a synthesis of

(a) the insights from the myriad studies and reports on engagement and related topics,  
(b) the experiences of the people interviewed, and  
(c) and outcomes from our own research.

The framework consists of the components described above, and it is represented graphically in the following diagram.

Fig 2

Leads to:
- CUSTOMER LIFETIME VALUE
- REFERALLS AND INFLUENCE
- CUSTOMER STRATEGY ENHANCEMENTS

Leads to:
- ADVOCACY
- LOYALTY
- CUSTOMER SATISFACTION
There are, in addition to the items described throughout this report, a few other considerations to the implementation of this framework:

- Engagement initiatives cannot be disconnected from customer experience, customer interaction, or any other customer strategy implemented by the business.
- Measuring engagement over time is critical; indeed it is the only way it can be measured.
- The ultimate value for engagement is defined through the accumulated impact of each and every interaction. Interactions are ruled by customer expectations and brand promises, and businesses must ensure both are tracked and monitored to ensure the ultimate value of engagement is achieved.
- As evidenced in our conversations, the nature of engagement with customers varies from one business to the next, but the basic concepts remain the same. Businesses must ensure that they define their own terms and expectations of engagement, bind them to appropriate metrics, and aim for long-term engagement in a value-based, correlated metrics model that supports their strategies.
- In addition, a concerted effort must be made to define value (both delivered and received) and ensure consistency in their application.

A final point in deploying this new framework needs to be made. In discussions with our respondents we found that every one of them had been working in one way or another towards trying to master the concept, (and different models) of engagement within their businesses for over ten years, with the two-thirds of them having spent most of their careers trying to solve this puzzle. While they were all of the view that they achieved a good position, they also acknowledged that external forces can change that position at any time, and moving to other businesses will change that as well. It is not only time that helps master engagement, but also a deep understanding of the organization and the forces that affect it.

Ensure that you take your time as you approach this, and find other businesses on the same path. This is the one lesson-learned described by all the respondents: work in a community to leverage the lessons learned.
END NOTES


A NOTE ABOUT THE AUTHORS

Engagement for a changing world is a report that was co-authored by Esteban Kolsky, Independent Analyst at ThinkJar and Thunderhead.com, a leader in Customer Experience and Enterprise Engagement solutions.

Esteban Kolsky, ThinkJar
Esteban is a Customer Strategist with 25+ years of technology, customer service, communities, social media, online and offline marketing, CRM and enterprise strategy experience. Esteban was an early pioneer in community-based customer service, feedback management, and using social channels for customer service.

As an industry analyst, formerly with Gartner and now at ThinkJar, Esteban provides insight on Customer Strategies to help growing and changing organizations adopt and succeed with emerging technologies and topics and is a thought leader in Customer Experience and Customer Engagement.

Esteban personally conducted our extensive interviews with Senior Customer Strategists, summarized in this report.

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