

Why Customer Engagement Pays Dividends

by John I. Todor, Ph.D.

Most executives believe that customer engagement, not products or price, is the winning competitive differentiator. It is not that executives believe quality products and price are unimportant; they are a requirement but not a compelling source of competitive differentiation. Yet, less than 13 percent of these executives believe their customers are fully engaged with their company. These are the findings of a recent Economist Intelligence Unit study (2007). Apparently strategy and practice has not caught up with perception.

Why is this the case? Customers endure but products come and go. Globalization has resulted in a marketplace where product life cycles are extremely short and commoditization happens very fast. Companies that focus on products face a double-edged sword—the need to invest in short times to market as well as the need for cost-efficiency throughout the value chain. Under these conditions it is difficult to sustain profit margins.

Next question! Why do executives see customer engagement as the differentiator? This Economist Intelligence Unit study defines customer engagement as “the creation of a deeper, more meaningful connection between the company and the customer, and one that endures over time. Engagement is also seen as a way to create customer interaction and participation.” This is a tall order since most organizations have been honed to sell products, not build engaging relationships. And, in today’s business climate, many of these conventional practices undermine customer engagement.

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not up to the challenge.**

The Buyer-Seller Relationship

The buyer-seller relationship needs a new focal point—one that benefits both parties. Clearly, the vendor needs to be the initiator of the change. Making and selling things is largely under the control of the organization. However, customer engagement is about customer relationships, and the enduring elements are emotional and psychological—which resides in the customer. Traditional sales and marketing are not up to the challenge.

Companies won't succeed by tweaking their practices; they need to transform to them. It requires a shift in how they define value and value transfer, seen from the perspective of the customer. They must realize that marketplace forces have had a profound effect on what customer's value and how they make decisions.

Customers face abundance, overwhelming choice, information overload, the uncertainty and complexity of change, growing distrust of commercial enterprises and the stress of a 24/7, always on world. All of these forces push customers out of their psychological comfort zones. When people are in their psychological comfort zones, they feel the external world operates in a predictable fashion. The current market forces disrupt this sense of safety and reduce customers' sense of predictability and control. This increases anxiety, confusion, frustration, procrastination. The problem for vendors is that these psychological states lead to coping strategies that reduce customer receptiveness, increased alienation, and contribute customer disengagement.

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While companies may not feel they directly contribute to this situation, they must learn to deal with it. Many customers enter buyer-seller exchanges with indifferent mindsets or they are a hair-trigger away from becoming indifferent. Companies would be well advised to proactively help customers get back to their psychological comfort zones—it is good for both parties. It is equally important that the way they interact with customers doesn't trigger or exacerbate the situation. Many cost-efficiency measures do just that, including disengaged employees whose indifference is contagious and infects customers.

Indifferent and Engaged Buying Personalities

Here is a short story that contrasts the "indifferent" and "engaged" buying personality. The strategies and tactics a business uses influences which one comes into play.

In my household, I am the one who buys the food and cooks the meals. When I am shopping for staples I typically go to the nearby Safeway store where I shop on price. I know from experience what goes on sale and stock up. I seldom buy premium items. Occasionally, Alberston's get me to drive a few extra blocks based on price or availability. Regardless of which store I go to my buying strategy is to seek the best trade-off between price and convenience. I am mostly

indifferent to brands and want to complete the task with the least hassle. My relationship with Safeway and Albertson's is indifferent or even competitive.

When I am planning a special meal or dinner party, my mindset is dramatically different. One of my signature dishes is paella and when preparing to make it, I am likely to drive 30 miles to a specialty store called the Spanish Table. Once there I willingly buy imported Bomba rice at three times the price I would pay for rice at Safeway. I buy imported chorizo, Spanish wine and a few expensive appetizers. This is not a shopping trip; it is an excursion and I enjoy it.. Not only do I willingly talk with the store personnel, I actively seek the interaction. Why? I am emotionally engaged in the entire event, shopping, cooking and sharing the meal. It has meaning to me and leads to psychological gratification. The Spanish Table is my partner in the experience and I will scrimp elsewhere to be able to splurge with them.

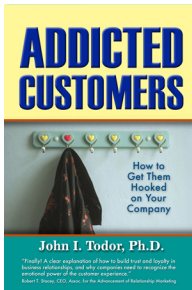
The experience goes far beyond the availability of specialty items, some I could buy at Safeway. I was initially attracted to the Spanish Table because of the allure of an enriching experience. From the first time I entered their store they have been a co-participant in making the experience enriching. It is not just that they remind me to use extra liquid because Bomba rice absorbs nearly twice the volume of typical rice. They constantly entice me to push my culinary limits. For example, after seeing a demonstration at Spanish Table, I was persuaded to cook my paella on a Weber grill. This required a special pan which I eagerly bought. Now my guests marvel as this colorful dishes evolve as we socialize around the Weber. When I go to the Spanish Table I am pursuing the customer experience, not looking for the best trade-off between price and convenience.

Engaged Customers Are Intrinsically Motivated

Engaged customers are driven by intrinsic motivation for emotional and psychological gratification. Sure, customers gain some utility but this is not what drives desire and overcomes indifference. Customers can and do become engaged in an experience without a meaningful relationship with a vendor. But, companies can tremendously expand the value customers see in the relationship if they are a co-creator or facilitator. The starting point is to attract customers' attention by getting them to sense hopeful trust, hope that their engagement will lead to an emotionally rewarding or meaningful experience. Hopeful trust in that the vendor is genuinely interested in building relationship value and that their actions are not a ploy to exploit the customer's increased co-cooperativeness and desire. Every time this trust is validated, in the mind of the customer, the value of the relationship increases as does their desire to have the relationship endure. As the value increases customers become less and less price focused, more open, more likely to seek advice, more committed and more active and passionate advocates of that company.

Does this approach to customer engagement pay dividends? Apple Stores reached \$1 billion dollars in sales faster than any retailer in history by attracting customers, getting them engaged and enabling them to have a more compelling experience and enriching experience with Apple products.

This topic and other related issues are dealt with in detail in a new book by John I. Todor, Ph.D., *Addicted Customers: How to Get Them Hooked on Your Company*.



www.AddictedCustomers.com

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