

Customer engagement now essential, study finds

Thursday April 5, 2007

As The Wise Marketer often says, the practice of customer engagement - defined as the establishment of a deep connection with each customer that endures over time - has become an increasingly important business mandate, according to a customer engagement survey from Adobe Systems and the Economist Intelligence Unit (EIU).

The survey (sponsored by Adobe and conducted by EIU) found that more than 80% of executives believe that their company loses sales each year because of its failure to engage customers, with 10% estimating that insufficient customer engagement accounts for 50% - 75% of their company's lost sales.

Beyond simple loyalty programmes

The survey report, entitled '*Beyond Loyalty: Meeting the Challenge of Customer Engagement*', suggests that, while most executives believe that the ability to engage customers is increasingly critical to business success, very few think that their company is doing it well, and many believe this failure has an impact on the company's bottom line. Many also viewed technology as having an increasingly vital role in customer engagement strategies.

According to EIU senior editor Rama Ramaswami, executives are increasingly finding that the winning differentiator is no longer product or price; Instead, it is the level of customer engagement relative to competitors. Indeed, many companies have already found that there is a significant competitive advantage to be found in going beyond traditional customer loyalty programmes to create truly engaged customers.

Tactics for better engagement

The survey questioned executives from around the world about the level of engagement they believe their company has achieved with customers, the tactics used to cultivate engagement, and the key strategies and tools for achieving deeper levels of engagement in the future.

Adobe CEO, Bruce Chizen, summarised the findings: "The secret isn't just gathering or churning data. It's how you connect with customers through the medium of their choice. Customers now demand information and interaction anytime, anywhere, and through any medium."

Key findings

Among the most significant findings of the survey:

1. Engagement affects loyalty, sales & profits

Most executives believe that customer engagement is exceptionally important to their business. Nearly 90% said that customer relationships are either very or extremely important to the success of their business. More customer engagement, they believe, would translate into improved customer loyalty (80%), increased revenue (76%) and increased profits (75%).

2. Engaged customers offer important benefits

Some 79% said that engaged customers are very important because they recommend products and services to others; 64% said they are frequent purchasers; 61% said they provide frequent feedback on products and services; and 55% said they are less price-sensitive.

3. Highly engaged customers are still the exception

Only 13% believe that their customers are very committed to their company's products, while 44% believe their customers are only somewhat committed.

4. **Lack of customer engagement means lost sales**
Almost half (49%) estimated that insufficient customer engagement accounts for up to 25% of lost sales each year, while 26% believe that it accounts for 25% - 50% of lost sales. Worryingly, 11% placed the contribution to lost sales in the 50% - 75% range.
5. **Technology provides important tools for engagement**
Most respondents identified technology (such as electronic forms, web sites and multimedia) as being important tools for creating customer engagement, and believe that these will be even more important within the next five years.
6. **Measurement is a challenge in engagement initiatives**
Despite executives' enthusiasm for creating customer engagement, 47% said that the difficulty of measuring customer engagement is the biggest barrier to achieving greater levels of engagement.