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Comment: Customer Engagement : Opportunities and Challenges for Organizations

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What is This?

Customer Engagement: Opportunities and Challenges for Organizations

Ruth N. Bolton[1]

Customer engagement (CE) is a key research priority of the Marketing Science Institute (MSI) due to its importance to marketers, the need for more research-based knowledge on CE, the potential for achieving critical insights, and the extent to which the study of CE can benefit from collaboration between practitioners and academics (MSI 2010).[1] Although many organizations consider CE important, this term has different meanings for different people. Hence, Brodie et al.'s (2011) conceptualization of CE provides a welcome framework for scholarly research on CE that can contribute to business practice. This commentary amplifies on how CE research can generate managerial insights; it is based on conversations with executives in some of the top marketing organizations in the world, as well as with marketing scholars. These conversations have identified three broad research questions.

> *Research Question 1.* How should CE be measured and managed, including its level, depth (i.e., intensity), and breadth in a multichannel multimedia environment?

Marketers recognize the interactive and experiential nature of CE (Fundamental Proposition [FP]1). Brodie et al (2011) define CE as a psychological state and many managers recognize it as such. However, consistent with van Doorn et al. (2010), managers tend to focus on measurable CE behaviors that extend beyond customer-firm purchase transactions, such as word-of-mouth activity, recommendations, blogging, writing reviews, other customer-to-customer (C2C) interactions (e.g., helping other customers, participating in customer or brand communities) and customer-initiated interactions with organizations (other than purchase).

It should also be emphasized that managers seek to understand how all aspects of CE—experienced in online or offline environments—influence the customer's path to purchase. In particular, they need metrics, models, and tools that are useful in understanding how CE relates to purchase and consumption behavior. Some examples: How does product design (including packaging and the retail service environment) influence in-store CE states and purchase behavior? How do C2C interactions, such as word-of-mouth or observational learning, influence purchase, consumption, and repeat purchase (Libai et al. 2010)? How do product, channel, relational, and market

characteristics moderate the effects of customer-firm interactive experiences on purchase behavior?

The notion that CE is a multidimensional construct (FP4) should encourage research that deepens our understanding of the antecedents and consequences of CE. Organizations have access to highly granular observational data describing customer responses to interactive experiences with a focal object, such as data from eye-tracking, click streams, functional Magnetic Resonance Imaging (fMRI) scans, and Radio Frequency Identification (RFID) technology that tracks grocery shopping paths. How should models of customer behavior utilize data (collected in real time) that describe cognitive, emotional, behavioral, and/or contextual CE dimensions? This question applies to all organizations, but business-to-business (B2B) organizations face special challenges. For example, how can B2B organizations (e.g., consumer packed goods, original equipment manufacturers, or suppliers of ingredient brands) effectively integrate end-user customer insights from CE metrics, such as measures derived from social media or other media/channel interactions?

> *Research Question 2.* How does CE contribute to the identification, development, and communication of compelling value propositions that build upon the resources and capabilities of the organization, its customers, and network relationships?

Many organizations view CE as a route for creating and enhancing the value cocreated in customer-firm relationships—thereby improving business performance. Moreover, managers seek to foster favorable CE—that is, managers understand that organizations should cocreate value with customers as part of a dynamic CE process (FP2). However, little is known about how CE contributes to the cocreation of value. There are many research questions here, including: How should organizations measure and assess customer preferences for

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engagement? What kinds of interactive experiences do customers want to have with brands and organizations? What kinds of interactive experiences lead to favorable CE states? Under what conditions are specific marketing programs designed to stimulate CE (e.g., social rewards programs) effective in cocreating value and enhancing relationships? How should organizations design CE programs to be effective across multiple media/channels? How can organizations assess the economic value of CE programs?

An important implication of FP2 is that marketing strategies and tactics can change CE states—including their levels, intensities, and complexity—thereby influencing customer preferences and purchase behavior for a brand. Thus, marketing actions can break or reinforce habits, trigger spontaneity or encourage foresight, and stimulate interactive experiences that influence customer and organizational outcomes. These tactics require the real-time customization of interactive experiences to match the needs of individual customers. For complex products such as health and financial services, what marketing activities will encourage customer participation, compliance, and engagement to achieve better outcomes for customers? How are they different from the actions that will be effective for the purchase and consumption of other products, such as soft drinks or confectionary? In B2B contexts, how do the roles of the customer and the organization—such as information sharing, helping behaviors, in-role, and extra-role performance—influence CE states and levels?

More broadly, how should organizations recognize the role of CE in their innovation processes, delivery of value through evolving media and channels, and brand management? For example, how can organizations foster favorable CE with new brands that cocreates value and builds brand equity? This issue is challenging because cycle times for decisions about digital media are much shorter than for traditional media. Changes in the business landscape have also created new opportunities for cocreation. In developing economies, organizations are discovering that CE in cocreation can identify affordable innovations, leverage technology to deliver new services (e.g., M-PESA [M for mobile, pesa is Swahili for money, is the product name of a mobile-phone based money transfer service for Vodafone], Nokia Life Tools) and develop products that deliver nutrition and wellness—thereby enhancing quality of life. In developed economies, organizations are encouraging environmentally sustainable behaviors and sound financial planning practices. What are the opportunities for organizations to increase CE in activities that enhance consumer and societal welfare?

> *Research Question 3.* What is the relationship between established constructs and measures used by managers—such as brand equity, quality, satisfaction, trust, loyalty, and customer value—and new constructs and measures that reflect CE?

Managers require a holistic view of the customer, rather than the fragmented view that typically arises when the customer is viewed (separately) through multiple media and channels. For this reason, they seek conceptual models for understanding CE within a nomological network of relational constructs (FP3). In business-to-consumer (B2C) markets, organizations are interested in understanding how different experiences, such as emotional ties, social influences, and service experiences, interact to create CE states and build customer-firm relationships. How can organizations build loyalty or relationship management programs based on a deep understanding of CE (rather than focusing on economic incentives)? Manufacturers and retailers of consumer packaged goods are also interested in understanding how out-of-store marketing activities that build brand equity interact with the in-store experience (e.g., shelf displays, service environments) to influence individual customers' CE states and (subsequently) their assessments of quality, satisfaction, and loyalty.

In B2B contexts, organizations would like to be able to use granular information that provides insights about customers' CE states, rather than relying on traditional market segmentation approaches based on customer size and industry sector. How can they identify potential business customers and engage them? How can B2B organizations use a CE lens to better understand a complex decision-making group—for example, a group that may have 10 key purchase influencers in different positions throughout the buying organization? Once a relationship is established, what are the effective ways to manage engagement, when teams of employees are working with customers in collaborative environments?

A cocreation perspective of CE also poses new strategic questions for organizations regarding their relationships with customers. Since CE occurs within a specific set of situational conditions (FP5), what is the appropriate balance of customer and organizational inputs in cocreation? What resources and capabilities enable organizations to build and support CE (e.g., customer networks or communities) under different market conditions? What metrics can be used to assess the effectiveness of organizational efforts intended to increase favorable CE levels during cocreation activities? What platforms, processes, systems, and tools enable organizations to enhance CE and collaborate effectively, especially when delivering complex solutions for business customers, hedonic experiences for consumers or interactive services to customer networks?

Note

1. Marketing Science Institute (MSI) is a corporate-membership-based organization founded in 1961. The MSI research priorities direct academics attention to topics for which research proposals from scholars would be welcome. MSI provides financial support to stimulate research that advances marketing science and inspires business solutions. See: www.msi.org.

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Bio

Ruth N. Bolton is a professor of Marketing at the W. P. Carey School of Business, Arizona State University in Tempe, Arizona and 2009-11 Executive Director of the Marketing Science Institute. She studies how organizations can improve business performance by creating, maintaining and enhancing relationships with customers over time. She has published articles in the Journal of Consumer Research, Journal of Marketing, Journal of Marketing Research, Journal of Service Research, Management Science, Marketing Science, and other leading journals. She currently serves on the editorial review boards of the Journal of Marketing and the Journal of Service Research and previously served as 2003-2005 editor of the Journal of Marketing. She also worked for Verizon for eight years.