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IMPROVE YOUR
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INSIGHTS AND INNOVATION THAT
DRIVE BUSINESS AND BRAND GROWTH

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Chapter 5: A New Industry Standard for Measuring Customer Engagement

- *What are the causes and effects of the changed communications paradigm that marketers face?*
- *What are the best industry standards to measure of the effectiveness and efficiency of customer engagement in this new world?*
- *How can you calculate effectiveness and efficiency in this new environment?*

The “last mile” of driving growth through marketing is the customer engagement process. In the new marketing order, all the rules of the road for this last mile are changing.

In Chapter One, we placed the “old marketing” view at the top of the old, ageing S curve (Fig 1.1) - where, no matter how much more effort we put in, the returns in improved effectiveness and efficiency are minimal. Communications is one of the major areas for change. The old marketing communications paradigm was a funnel in which communications such as advertising were poured in at the top, and the aim was to establish user loyalty at the bottom.

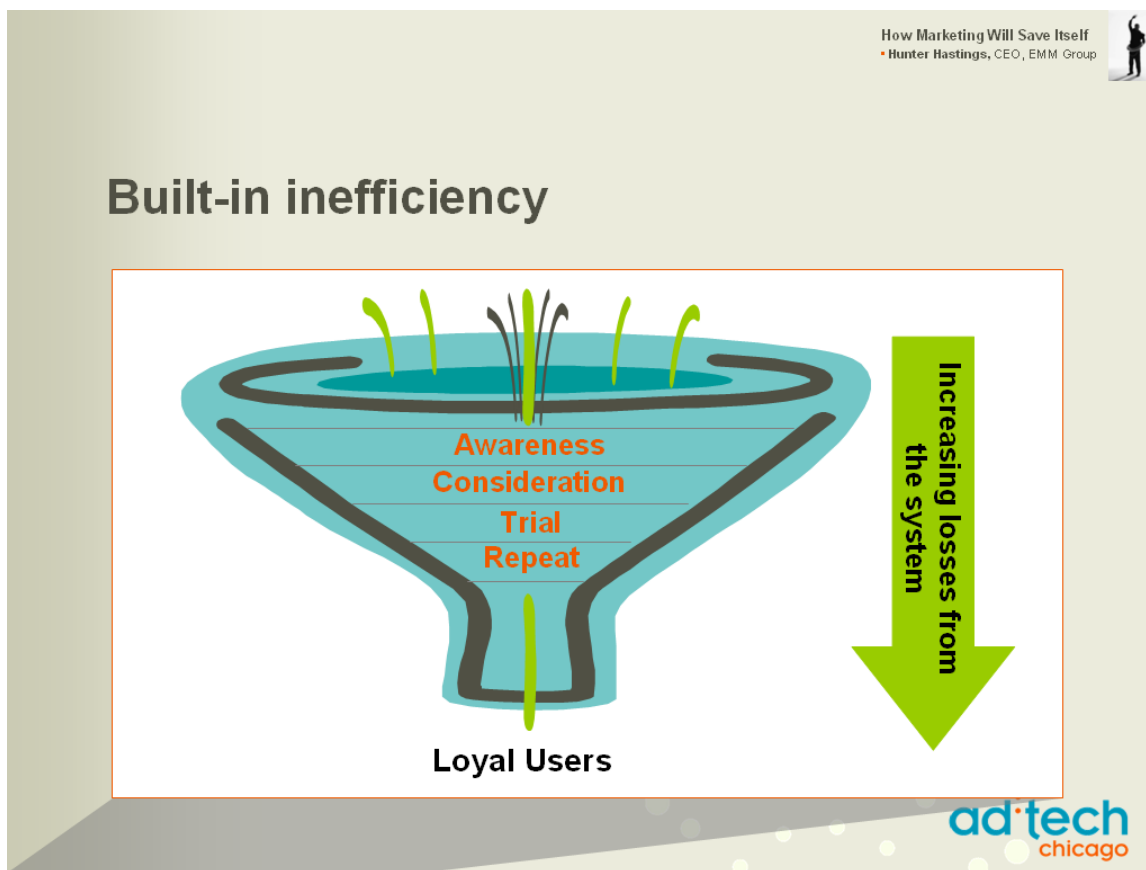


Figure 5.1 Built-in inefficiency

Clearly, this is inefficient. The system puts in the maximum amounts of input (awareness) in order to turn it – by increasingly smaller percentages – into consideration,

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trial, repeat purchase and loyalty. That's the opposite of an efficient process, which aims to maximize results from a given amount of resources.

On the new S Curve (see Figure 1.2), the old concept of marketing communications (often called "Marcom") is replaced by the new concept of customer engagement. Marcom is a one way outbound concept. We "reach" customers with short communications, and we hope our messages have "impact" and "persuasion". Engagement is a narrative and a dialogue. We intend to contact the customer when they are willing to listen to our story and look for the response signals indicating they invite us to say more and to enter into the to-and-fro of getting to know the customer and their needs. Businesses engage customers not only with communications, but with new ways for their customers to interact with them, new types of customer experience, new ways for customers to review and receive the innovations that businesses bring to the market, and new solutions that redefine the relationship.

This new concept of engagement requires marketers to make significant changes in how they approach communications:

1) *The addressable consumer or customer.* Increasingly, businesses are able to reach their customers— whether consumers of internet services, shoppers for consumer packaged goods, or manufacturing purchasing agents — individually as an electronic address as that customer moves between a desktop computer attached to the internet, a laptop on the go, a web-enabled mobile hand held communications device, or an i-Pod. They might be using e-mail, instant messenger, blogging, knowledge management tools, collaborative business software or shopping. We can reach them at most times and follow them on the web to analyze behavior that reveals their needs.

2) *The customer control over the content they choose to receive.* Advertising — or indeed anything that we might typically have thought of as "marketing communications" that simply interrupts them before they have put their hands up to say "please tell me something" — is anathema. Engagement is customer controlled. To engage with a customer, we must understand their needs and preferences as individuals, or at least in very, very finely segmented groups, and communicate with them when they choose, rather than when the brand-owner chooses. Engagement requires personal, individual meaning, and therefore it requires personal, individual understanding.

3) *The increased speed of the marketing cycle.* The speed of innovation from new technology development techniques is accelerating to the point that traditional marketing cycles —based on conducting and manually analyzing research surveys, preparing detailed strategies, entering into long creative development lead times, and then testing the messages via more research— impose unacceptable burdens of delay. The innovation cycle makes new products and services ready to launch before the marketing development cycle is completed. Therefore, we need a new marketing development cycle that is equally as agile.

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These are three elements of the disruptive innovation stage of the new S-curve. But there are no standards for a new marketing approach to the customer who requires individual addressability, control over received content, and fast moving dynamic change. And, you will recall, standards are the requirement before the S-curve can shift from disruptive to stable. If industry standards don't emerge, then marketing will never ascend the new S-curve and will remain in a state of uncertainty. How can marketing avoid this condition?

To qualify as an industry standard, a new measurement must have these characteristics:

- Defined by the customer – because in the new environment, the customer selects and controls the information they choose to receive and the sources from which they choose to receive it. The marketer can't prescribe the communications channels such as radio, television or print and presume that medium will suit the target customer for what they want to know.
- Measure a type of engagement that includes the customer in the equation – choosing, responding, reacting, doing something other than just “being an eyeball”.
- Include all the ways a customer can become engaged from conventional media to word of mouth and “buzz” to in-use experiences to encounters with real or digital sales interfaces; the array of choices is changing and expanding and morphing every day, and the new measurement must be capable of embracing them all.
- Provide a global measurement tool, applicable everywhere, and capable of comparisons across geographies. In today's global marketing environment, the marketer must be able to weigh the cost and value of a marketing investment in China against one in Czechoslovakia, and a single global measurement standard is required.
- Accommodate rapid dynamic change – the customer's list of engagement contacts is continually changing, whether they are adding customer generated content on YouTube, or product placement in video games, or advertising on mobile phones. The measurement has to keep up with the changing behavior of the customer. Fortunately, with new behavioral targeting techniques and new ethnographical research techniques, we can put the customer in charge of defining the marketing contacts that are most relevant to them.

A New Industry Standard of Measuring Effectiveness and Efficiency of Customer Engagement

Consistent with the shift from the subjectivity of creative communications to the objectivity of standards, leading edge companies are beginning to adopt a new measurement standard for customer engagement. One of the leaders in this new field is Oscar Jamhuri, CEO of Integration Group. Oscar was an ad agency director who worked on high profile accounts. He observed early in the 1990's how:

(a) The ad-industry was failing to address the dynamic changes in the communications field brought about by technology and business processes.

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(b) Conventional marketing communications metrics, such as measurements of consumer brand or advertising awareness and “persuasiveness”, failed to represent the business model of how companies engage customers.

(c) Mass media communications was actually playing a smaller role in the engagement of a customer. Engagement occurs over a long cycle of multiple contacts that Oscar’s measurement system refers to as the Brand Experience. The Market Contact Audit™ (MCA™) measurement system by Integration Group has systematized the measurement of how effectively a company engages and retains customers. The Brand Experience system includes some fundamental measures that are surprisingly simple yet profound in their application. They constitute what is referred to as a “single global currency” for measuring customer engagement, the end-goal of demand-side management.

- Brand Experience Points
 - Share of Brand Experience
 - Experience Conversion Rate
 - All measures are MCA-consumers’-research-based
-
- *Brand Experience Points*: report which marketing contacts are important and useful to consumers. In the paradigm where the customer is boss, it is critical to know which contacts are the ones the customer defines as relevant: a sales call, registration on a website, word of mouth, TV ad, a trade show, a sponsorship event, outdoor, radio or a podcast. Therefore, the Brand Experience Points are measured in a Six-Sigma based process (Six-Sigma is an internationally recognized method for Quality Control Processes) called the Market ContactAudit™ process. In the audit, the customer defines the relative value of each contact for their needs. The Market Contact Audit treats each contact as if it were a salesperson and asks: did the customer get useful information; did they like or enjoy the experience to the point where it changed their attitudes and feelings about the brand or category; and was the attitude change sufficient to change purchasing behavior? By creating an algorithmic weighting of these cognitive, emotive and behavioral factors, the system develops a value – a score – for every contact. A total set of contacts, measured by the audit, multiplied by the contact engagement value for each one, results in a total number of experience points.
 - *Share of Brand Experience*: Since this is a “one number” measurement system, any brand or business can measure both the total number of points it generated with the customer and the share it achieves of all “experience points” recognized by a customer.
 - *Experience Conversion Rate*: The test of marketing effectiveness is not just how well it generates experience points, or even what share of experience points it generates, but how well it converts experience points into sales revenues. Market Contact Audit data indicates the average correlation of share of Brand Experience

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Points to revenue share of market is 0.8. This is a very high correlation score, indicating that high share of experience points is driver of marketplace effectiveness.

This conversion rate analysis provides a highly objective view of marketing effectiveness. In conventional marketing, a marketing communications executive might claim for a particular advertising campaign that the rating point total and share of voice was high, but the effect on market share was constrained because of poor distribution by a channel partner, or low display levels in a retail store. In the new system, the marketing executive would take a wider view that channel engagement points or in-store engagement points have a higher value than advertising engagement points, and might allocate the budget and the creative effort between the two more appropriately.

Drilling down a little further into the analytics of engagement, businesses can develop simple measures of marketing effectiveness. The total number of points by marketing vehicle (such as a trade show booth or a sponsorship of a golf tournament) is an analysis of the effectiveness of that vehicle. Businesses can quickly decide which one is more effective and make the appropriate resource allocation decisions.

The total number of points by campaign is a measure of the effectiveness of that campaign. Remember, the score is a result of the contacts multiplied by the cognitive, emotive and behavioral value, so it's genuinely a measure of effectiveness. It's an output measure, not an input measure.

Business managers can calculate their share of engagement points, to put their marketing effectiveness into relative context versus competition globally in every and any market.

They can also correlate their conversion of experience points to revenue or to share of market, to measure whether they are more effective or less effective over time and versus competition in the key act of using engagement to close the sale, drive loyal behavior and raise lifetime customer value. Across four widely divergent product categories, our the Market Contact Audit data shows that the correlation between Brand Experience Share (BES) and market share is 0.80 or greater, i.e., for a 1% change in the BES delivered by a brand, there is at least a 0.80 percentage change in the market share of that brand. In other words, brand experience share is important.

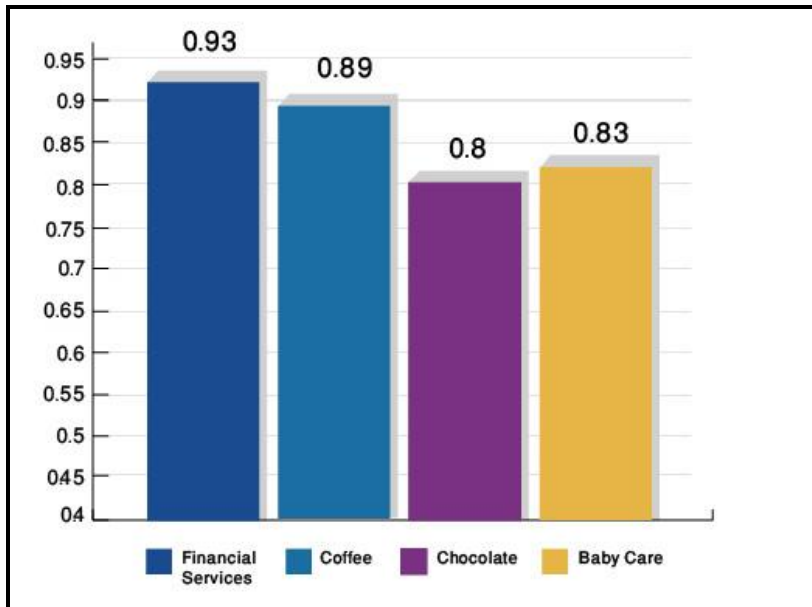


Figure 5.2 Brand Experience Share Correlated to Market Share
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Finally, they can also measure the efficiency of their marketing effort by calculating the cost per customer experience point in relative competitive terms by measuring their cost per point of engagement share.

We talked with Oscar Jamhourri about the measurement revolution he is leading.

There are two new breakthroughs in this design of the measure of customer engagement. First, it's a "single currency" for every contact that a customer has with a brand, whether that is a communications-based contact such as reading an article or review or a blog, or whether it is an experience-based contact such as a sales call or a shopping mall or a dealer visit, or a usage based contact such as test-driving the car you're thinking of buying or deploying a new telephone system in a division before committing to it for the entire enterprise. It's a single currency that works and can be compared across all countries. The cost, effectiveness and value of one "brand experience point" can be validly cross-compared between Beijing, Birmingham and Bangalore, and used to make resource allocation decisions fluidly across these markets.

Second, it's a sensitive to manage with, repeatable, reproducible, empirically proven model with a fundamental track record. It is built on Six-Sigma methodologies. In constructing this innovation, we knew we would be assessed on the same principles as finance and production. The system is anchored in the context of the client's business model, underpinned by rigorous activity-based costing and robust data and validated by case studies.

Procter & Gamble in Europe provides a relevant example demonstrating the business value of this approach. A P&G Beauty Care brand facing low awareness and trial was also struggling with how to apply limited marketing funds to solving its business

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problem. In-store sampling, mall sampling, and TV advertising were the most utilized marketing tools in the category and were also relatively expensive to deploy. The Market Contact Audit revealed that professional and medical recommendations were among the least-used marketing tools, and yet had a high “clout factor”, i.e. were valued highly by target customers for cognitive and emotive values impacting customer behavior. Using a strategy of focusing on high clout, differentiating (i.e. least-used) and brand-relevant marketing vehicles, the brand shifted funds into driving medical recommendations. In the face of a 20% budget cut for marketing, the brand was able to achieve a +21% increase in share year-over-year. When it expanded the successful program into an adjacent country, without a budget cut but with a maintained level of spending, the year-over-year increase was +72%. **Now that is Breakthrough Growth!**

We've audited 7000+ brands in 183 categories and 60 markets. We know how the re-tooled approaches to media and communications can impact brand and business results. The system works when clients are willing to take the objective route and apply the science to their marketing expenditures, as P&G did in the example. It fails when there is a failure of decision-making, a reversion to “guru-ism”.

New skills are required to communicate with customers outside traditional boundaries. A key dynamic is that customers have changed the contacts that they consume, not the way that they consume them. They now have contacts from new sources such as the web, from new kinds of word-of-mouth and expert sources and peer group sharing, from new experiences such as customized interfaces provided by e-commerce platforms. These contacts are new and did not exist in the past. They are additional contacts – the range of contacts is greater than ever. But most marketing measures are limited to testing advertising or the effectiveness of a website or the value of a sponsorship. It is much more useful for a business to (a) consider ALL contacts holistically (b) to integrate them in context so that where and when a contact is made is given the same consideration as the content of the contact (c) to evaluate them with a single global currency that allows for actionable decision-making.

The results that we have been able to achieve have been in three areas:

- (1) Better focus – in the new fractionated world of contacts it is easy to forget that 80% of brand experience comes from 20% of the contacts; you win by excelling in the ones that matter and eliminating the ones that don't.*
- (2) Greater value allocated to “intrinsic contacts” those that consumers or customers cannot bypass like packaging or design of the branch experience at a retail bank or the “point of contact” elements of buying a car from a dealership. These intrinsic contacts must be managed and not taken for granted.*
- (3) Elimination of waste – the P&G example of focusing on 5 contacts and eliminating 3 of them; cut 20% of the budget and grew business +25%; eliminated waste and ploughed released funds into what worked.*

From an organizational perspective, the MCA-usage has the effect to “bust silos” – the advertising silo is going to defend the advertising budget and the sponsorship silo is going to defend the sponsorship silo and not be objective about the relative values. The

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new “single currency” approach promotes “non-silo” thinking. In a sense, it applies the Asian business culture — welcoming attitude for shared, collegial, multiple-expertise teams arriving at consensus through objective methodologies and analysis.

Summary

Now customer engagement has a global measurement standard, a competitive assessment tool, an effectiveness metric and an efficiency metric. Now customer engagement can ascend to the rapid growth section of the S-curve, and save itself from being permanently trapped in the disruptive phase. We are seeing that smart marketers are starting to use the standard, develop stronger analytics, create more robust modeling and build new variations on the basic theme.