DEPARTMENT OF BUSINESS AND MANAGEMENT
CHAIR OF INTERNATIONAL MARKETING

EMERGING MARKETING PRACTICES: CUSTOMER ENGAGEMENT. ANALYSIS AND MANAGEMENT

SUPERVISOR
PROF. MICHELE COSTABILE

CANDIDATE:
GIOVANNI RUSSO
661161

ASSISTANT SUPERVISOR
PROF. SIMONA ROMANI

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ABSTRACT
The world has witnessed major changes since the advent of industrial revolution. Throughout the 20th century, companies shifted from simply manufacturing and selling products and services to customers, to actually consider and study their changing needs and demands. In the marketing literature field, this is more commonly called the shift from the goods-dominant logic (G-D) to the service-dominant logic (S-D). Combined with the rise of technological innovations, more particularly the increasing use of social networks and social media platforms, companies have started to realize that approaching and retaining customers is not enough anymore. Nowadays, and the future of marketing lies in the essence of customer engagement, commonly defined as the ability of companies to encourage and enable customers to participate in communication and business innovation. The aim of this dissertation thesis is to thoroughly describe and analyze the concept of customer engagement, giving also insights about the opinions of both sides of the relationship: consumers and organizations. There will also be a series of practical examples representing campaigns and practices of customer engagement. Furthermore, there will be a description of the proposed analytics to use in the field of customer engagement, more particularly in the area of social media platforms, considered one of the main issues of the subject. Overall, the research question of the project will focus on the importance of customer engagement and how it may be measured on social media platforms.

CHAPTER 1
1.1 At the beginning, the chapter covers an historical preview outlining the evolution of customers-companies relationships. Based on the study of the Swedish management consultant Richard Normann, it is possible to define the customer being “seen” and treated as just a receiver in the market (in the time right after WWII). Later in the 1970s, customers began to be viewed as sources of value and profits, since their needs and demands were changing due to the new trends and habits of the company. Specifically, this view of customer belongs to the age of customer base management. Some of the main events which eventually changed customer needs are the oil embargo carried by the OPEC, which caused a major price increase, the new manufacturing techniques
adopted by Japan and the increase in travel opportunities and new ways of lifestyle. Ultimately, consumers became co-producers of value, also called prosumers, hence a consumer who also produces. In addition, the differences between the goods-dominant logic and the service-dominant logic are outlined.

1.2 What makes customer engagement more interesting is the fact that it is a theoretical topic and a practical approach that has risen only in the last decade, despite the increasing usage of many companies and organizations. Furthermore, customer engagement may be listed in the overall branch of customer relationship management (CRM), therefore a brief explanation of the field was given in the thesis. In this succinct part, topics as non-transactional customer behavior and consumer-to-business practices are covered.

1.3 Nevertheless, customer engagement presents also patterns of psychology and consumer behavior: hence, a description of the term engagement’ origin and etymology was given to fully outline the different meanings that engagement presents. Furthermore, it may be applied in different branches than economics and business, such as psychology. The most important academic works used in this part are the ones made by Kahn (1990) and Maslach, Schaufeli and Leiter (2001).

1.4 The fourth subsection is the most important of the entire chapter: it presents the different definitions of customer engagement given by many marketing academics. Some of them refer to a more behavioral perspective, such as the one given by Van Doorn and co-authors (2010), who defined it as “customer’s behavioral manifestations, having a brand or firm focus, beyond purchases, resulting from motivational drivers”. Other illustrated definitions “belonged” to Brodie et al. (2011), Vivek (2009, 2012), Sedley (2006), Wagner and Majchrzak (2007) and finally Mollen and Wilson (2010).

1.5 Another key part of the thesis was the development of the construct analysis of the customer engagement. One of the key parts of this topics covered in this subsection is the description of the 10 fundamental propositions of the service-dominant logic, proposed in the paper written by Van Doorn et al. (2010). Also the work of Mackenzie and Podsakoff (2003) attempted to show five other fundamental propositions that constitute the conceptual domain of customer engagement. Instead, the paper written by
Brakus and his co-authors (2009) concurs with the notion that engaged customers might co-create experience and value for the companies, as well.

1.6 Nevertheless, there are many alike practices in the field of customer relationship management, which might be mistaken for customer engagement. Thus, an enlistment of similar constructs was made to highlight the differences. Specifically, the mentioned similar constructs are customer participation, customer loyalty, customer satisfaction, customer involvement and customer devotion.

1.7 Next, a brief list of the dimensions structuring customer engagement was made to thoroughly analyze the overall concept. Even in this part, the main source of information will be the work of Van Doorn and co-authors (2010), who listed the main dimensions of customer engagement as valence, form, scope, nature of impact and customer goals.

1.8 In this subsection, a preview of the managerial implications of customer engagement was given. Mostly, those were based on proposed conceptual frameworks made by marketing scholars, who tried to show the possible practical benefits of correctly applying customer engagement on behalf of companies. Specifically, the used conceptual frameworks are the ones developed by Bowden (2014), who structured his map focusing on both new customers and repeat customers, with the final objectives of those different categories being return (for the new customers) and loyalty (for the repeat ones). The other conceptual map mentioned in the paragraph is the one developed by Vivek, Beatty and Morgan (2012), who claimed that customer engagement is a component of relationship marketing, involving customer attraction and relationship establishment, while improving and keeping such relationships.

1.9 The last part of the first chapter covers the importance of the Internet as platform to sustain and encourage customer engagement. Mainly, this part is based on the academic paper written by Verona, Prandelli and Sawhney (2005). Due to the technological development, along with the increasing usage of social media platforms both for communication and informative purposes, the Internet has proved to be an essential tool for companies desiring to approach a large range of target in a short period of time, enabling interaction, online shopping and educational instruments as well. Other concepts covered in this subsection of the chapter are the notion of sustained competitive
advantage, the pattern of New Product Development process (NPD). In addition, some practical examples of General Motors, Nike and P&G are discussed.

CHAPTER 2

2.1 The second chapter presented four successful customer engagement campaigns from four different companies. The first campaign was the one launched by the Absolut brand, world-leader in vodka distribution, formerly a Swedish company later purchased in the mid-2000s by the French group Pernod Ricard. In 2007, the brand launched the contest “In an Absolut World”, inviting anyone willing to share their view of a better world (more specifically, an Absolut world), and the ideal environment of the campaign was “Planet Absolut”, a place where improbable scenarios took place. The campaign led to millions of uploads of photographs picturing the vision and desire of people, as well as a high increase of word-of-mouth (WOM) about the brand and its initiative. It also generated a great amount of online buzz and potential new ideas for the design of the Absolut bottles, since they represent one of the major causes of the brand’s success.

2.2 In the second case, the focus shifts to the UK branch of Smart, a brand of micro cars owned by Mercedes-Benz, a premium German car manufacturer. A common belief surrounding the Smart car is that it is quite uncomfortable to fit in for tall people, it is easily broken and smashed down by heavy objects and possible crashes, and it consumes quite a lot of gasoline. Thanks to an online and interactive video launched into the United Kingdom, Smart has proven all these conjectures to actually be mistaken. In the video, a narrating voice has introduced the characteristics of the car and has made a list of all the believed misconceptions of the car. Then, it addressed a specific issue, it gave to the viewers four different answers from which choosing the right one, enabled them to give their own opinion, and finally it showed the true features of the Smart car. After the video, more than 2000 requests were filed (in the first four months of the campaign) by customers around the world, asking for more information concerning the car.

2.3 In the third example, possibly the most famous touristic campaign of all time is discussed. The topic in question is the advertisement of the “best job in the world”, consisting in being the sole keeper of a tropical island, precisely in the Great Barrier Reef of Queensland’s Islands, Australia. The Tourism and Events Queensland
organization has launched in January 2009 (which was winter season for the northern hemisphere), a contest in which one person from any country in the world would have won the possibility to spend six months undertaking this particular job, with a conspicuous salary, a lovely accommodation and the opportunity to be surrounded by Australian wildlife. Eventually, the initiative was repeated in the two following years, but the first edition of the contest remains the most interactive and famous job application, along with tourism advertisement, of the marketing industry.

2.4 The last chosen example involved the brand Oreo, worldwide leader of cookies retailing, with the biggest market share in the home country, the United States. The focus is placed on three different examples. In the first one, Oreo was one of the many companies that exploited the commercial spots airing during the half-time breaks of the Super Bowl 2013, the most important sport event in the entire country of United States. It involved a video whose final message was to launch an online contest on Instagram, where users had the chance to vote whether they preferred the cream or the cookie of Oreo, a topic of intense discussion among the snack’s fans. Ironically, on the same night, Oreo had the opportunity to expand its marketing action, since it has successfully implemented a practice of “live marketing”. In this context, Oreo managed to post an online content on Twitter regarding an event that took place only a few minutes earlier the submission of the post (an ad of the brand related to the temporary blackout at the Super Bowl 2013, replicated by many other companies).

In addition, in 2012 the brand has launched a six months-long campaign (always on Twitter), involving the submission of daily posts, advertising the Cookie along with remembering certain events or anniversaries that occurred in the past, associating the cookie with famous occasions and celebrities. All those campaigns constitute perfect examples of customer engagement. First, they led their companies to increase their brand awareness among many prospects and potential customers. These campaigns sponsored and advertised products/services of the companies, and they encouraged customers (and prospects) to create their own content which was then used by the companies (especially in the Absolut campaign), constituting a perfect example of user-generated content, and in some instance crowdsourcing. Finally, all the aforementioned
campaigns involved the active participation and interaction of customers with companies, one of the cornerstones of customer engagement.

CHAPTER 3

3.1 This chapter focuses on the findings resulting from the interviews conducted with six different marketing managers. Not being listed in order, the managers interviewed were Giulia Decina from Dentsu Aegis Network, Diego Sgorbati of Ducati, Alessia Argento from Mercedes-Benz, Simone Oltolina of Pernod Ricard, Giuseppe Moder from the FCA group and Francesco Carissimi of the Wunderman company (all the managers belonged to the Italian divisions of the aforementioned companies). The interviewed was structured basing (again) on the scale developed by Vivek (2009). In this scale, there were five different variables considered to structure the construct of customer engagement. With the exception of one of the suggested variables, which was replaced with a parameter more compliant with the cognitive dimension, the five asked variables were trust (the substituting one), awareness, interaction, enthusiasm and extraordinary experience.

Other than asking what their thoughts were about the importance of these parameters, the interviewed managers were asked six additional questions. In the first two, they were given the definition of customer engagement, to check whether they agreed with it, and what they thought are the most important metrics to measure customer engagement. They were also given some questions concerning the workplace. They were asked how many professional resources were allocated to the management of the company’s social media platforms, the interaction between them and the marketing staff, and how much of the communication marketing budget was used for social media platforms’ management. Moreover, they were asked at which point the company actually considered a customer being engaged.

3.2 After gathering and analyzing the information extrapolated from the interviews, a conceptual framework was developed in order to display customer engagement from the

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1 Also in this case, the interviews were conducted in Italian, as the nationality of the interviewed managers.

2 The parameter is “trust”, used instead of the variable “parameter”.
perspective of companies’ managers. According to the results of the interviews, the most important variable determining customer engagement is the brand awareness. More specifically, it is the first parameter that eventually triggers customer engagement in a later phase. A neat example was extrapolated from the interview conducted with Giuseppe Moder, Head of Digital Marketing at the Fiat Company, who claimed that in the process of the consumer buying-decision, the very first variable that eventually triggers customer engagement is brand awareness. Others variables considered antecedents for the customer engagement are the ability to deliver an incredible experience to customers, through workshops, seminars, test-drives and other activities, and the trust perceived by customers. This is a tricky variable, since it takes time to build trust on behalf of customers towards a brand, and it is imperative to have a reliable product or service and an excellent customer service. Linked to trust are also the reputation of the company and the mutual respect that there must be between companies and clients, both actual and prospects. On the other hand, some variables considered to be consequences of customer engagement are customer loyalty, enthusiasm and interaction. Regarding this last point, it must be important for companies to interact with clients by giving coherent, quick and precise answers to their inquiries.

CHAPTER 4

4.1 This section covers different analytics usable to quantify and measure customer engagement. The first part covers the proposed analytics suggested by Tammo Bijmolt and his co-authors in the paper “Analytics for customer engagement” (2010). The paper presents many different analytics used to measure customer engagement, such as the Recency-Frequency-Monetary value (RFM), used to creating customer groups based on their RFM characteristics of prior purchases, then assigning probabilities to each group according to their differential response behavior. In the same subsection of the paragraph, another academic work is explained to illustrate different customer engagement analytics. The selected work is a book written by Kumar (2013), who proposes a conceptual framework called “customer engagement value”. In this framework, the five most important variables used to measure customer engagement are
customer brand value (CBV), customer lifetime value (CLV), customer referral value (CRV), customer influence value (CIV) and customer knowledge value (CKV). The CLV represents the net present value of future cash flows from a customer over their lifetime with a specific company. The CRV represents the monetary value associated with future profits given by each referred prospect. As for the CIV, it refers to the monetary value of customers’ influence on other acquired customers, both current and prospects. Then, there is the CKV, representing the monetary value a customer adds to the firm through their feedback. Finally, the sum of those parameters make up the CBV, which measures the value that customers attach to the brand, resulting from all marketing and communication messages delivered through different media channels: basically, it represents the customers’ perceptions of a brand.

4.2 In the following subsection, the most used engagement metrics of the social network Facebook were covered. Facebook represents the most famous and used social network so far, with more than one billion active users, spread worldwide. The amount of sensitive data in possession of the company is almost limitless, and thanks to many of its features such as Facebook Audience Insights, it represents one of the best tools to engage with customers, to target and segment them. Other mentioned metrics are the fan reach, organic reach, click-through rate and negative feedback.

4.3 Successively, a brief part covered the many different metrics used to measure customer engagement on the social media platforms. Some of the most important illustrated metrics are the rate of conversion in sales, the view through rate and a suggested graph showing the importance of action, called “engagement food chain”. Furthermore, the author of the book used to enlist these metrics (Vincenzo Cosenza), explains the importance of assessing and establishing the goals of a company. To do that, he described the SMART formulation, which stands for specific, measurable, action oriented, realistic and time-lined.

4.4 The last paragraph covering the fourth chapter consisted in the results deriving from an online survey distributed to Wind customers, one of the biggest Italian telecommunication companies. This survey (written in Italian, due to the nationality of the respondents) was created in order to obtain the point of view of customers when it
comes to customer engagement. The survey was recorded on Qualtrics and developed on a scale proposed by Vivek (2009), who structured a group of 19 different statements. Those notions were broken down in three different dimension: enthusiasm, conscious participation and social interaction. The respondents were asked to agree with the given statements, based on a Likert scale going from 1 (absolutely against it) to 5 (entirely agreed with), with 3 being undecided. Moreover, the survey contained some demographic questions, such as the gender, age, occupational status, education background and civil status. Nevertheless, some of the respondents did not confirm to be Wind customers, therefore a comparison between their opinions and the ones given by Wind clients was made.

The platform recorded 106 respondents, but the final sample was made by 83 respondents, made by both women and men, students and workers, married and singles. The questions were aimed for companies more concerning the fast-moving consuming goods industries, therefore they were not entirely fit with the Wind’s business (telecommunications). Notwithstanding, the survey showed that the company’s clients tend to ignore the dimension of social interaction, since Wind simply enables Internet, calls and messages, but it is not the actual platform. Also the “enthusiasm” dimension produced low results, with the highest one linked to the question “I find myself using Wind whenever I can”. On the other hand, the questions deriving from the conscious-participation dimension, customers showed that they are more inclined and eager to be informed about the offers and services given by Wind. They desire to search for the product’s news, but not for the corporate news, such as the rumor that the company and “H3G” (another telecommunication firm operating in Italy, based in China) are planning to merge. The highest results derived from the dimension “conscious participation”, which might be linked to the variable brand awareness, which was consider to be the most important trigger for customer engagement by the interviewed managers. Instead, the dimension enthusiasm and interaction, as confirmed by the managers, were not seen by consumers as important causes of customer engagement.
CHAPTER 5

5.1 The final chapter of the thesis comprises four additional case studies concerning customer engagement initiatives. In the first example, the company HubSpot is the point of discussion. The company develops and markets software products mainly used for inbound marketing, digital content marketing (DMC) and search engine optimization (SEO). The products and software sold by the company also assist clients in exploiting live trends to generate creative content. In this instance, the famous interactive discussion undertaken by Citroen and Smart (by their Italian pages on Twitter) was used as a practical example, which were then joined by Martini (worldwide spirits retailer) and San Carlo (Italian company, selling chips and snacks). It is important to companies to be able to spot current trends and major subjects of discussions, since in this customers tend to participate in the conversations and interactions proposed by the companies, showing their capability to be always updated and full of creative ideas.

5.2 In the second case study, the focus is on Ikea, a Swedish company worldwide-leader in home-furniture retailing. The chosen example of this company, considered a prime example of reconfiguration of value and customer engagement, is the campaign launched into the UK and Ireland. In those countries, the average home is 15% smaller than the average European home. Along with the high prices of the houses, the households of these countries have a hard time in settling into their houses. Nevertheless, IKEA decided to step over and show how its furniture may manage to squeeze into tiny houses and apartments. Hence, the company created a video, which in a matter of time became viral among video-hosting sites, in which a virtual mother and her son see their lives changed by the IKEA products. The video proved how the company’s furniture has the capability to fit in tiny houses and apartments, at low costs and by saving space.

5.3 An interesting evidence of customer engagement practice is comprised in the campaign launched by Dove, a home-care product brand owned by the Unilever group, which in 2004 launched a marketing initiative aimed at encouraging women to be more comfortable with their natural beauty. The campaign reached its climax in 2013, when with its “Real Sketch Beauty” video, which in 2013 became the most viewed and viral
video of the year, which later achieved several awards at the Cannes International Festival, the most important ceremony for marketing campaigns and videos. Many experts attribute the success of the campaign to the ability to address a sensitive issue: women confidence about their beauty. Such campaign gave them the opportunity fully understand that it does not matter what others think: what matters is what women think of themselves.

5.4 The last example is given by Dunkin Donuts, an American company leader in the retailing of coffee and baked goods such as doughnuts and other pastries. In 2013, the company established a partnership with “Monday Night Football”, the most important television transmission covering American football, the most loved sport by American people. The campaign consisted in commercial spots being represented on Vine videos, which are short videos that are 5 to 7 seconds long, featuring the actions that were voted by customers to be the best ones in the first half of Monday night games. Moreover, the company enabled customers to participate in a contest where the winner would have been placed in one of their Vine commercial spots. All those companies have given practical examples of customer engagement practices, proving that customer engagement may be applied in any kind of context by operating in different industries.

CONCLUSIONS

The thesis tried to analyze entirely the concept of customer engagement, which is the ability of companies to enable and encourage customers to participate in social communication, as well as co-production and innovation. It is mainly a practice emerged in the last decade and it is a concept that presents many different applications, linkable to different fields of study, such as economics, marketing and psychology. One of the most important features of customer engagement relies in the possibility to enable consumers to interact with the companies, in order to allow them to contribute to the final value of the offered products/services. It is essential for customers and prospects to be fully aware of the company in question, since brand awareness represents the first critical step for eventual customer engagement. It may be efficient to opt for interactive experiences with customers, by delivering something that will attract them to the company and make them consider purchasing a good/service from it. It is essential for
customers to trust companies before considering engaging with them on multiple levels. On social media platforms, particularly on social networks, companies tend to communicate most of their offerings and inquiries with customers, hence it is important for them to have every kind of available metric to quantify their engagement with the customers. Nevertheless, at the end of the year, a company will not quantify how many times it was mentioned on Facebook (for example). What matters to them is the conversion rate of customers and users ending up purchasing a product from a company as consequence of their customer engagement activities, which are also used to communicate the brand and company’s vision, mission, offerings, content and so on, to generate word-of-mouth, to advertise the company and to create brand awareness. Customer engagement is the future of marketing, and it is up to companies and their managers to apply it successfully. The objective of the company, the correct measurement for it and the fittest platform to apply it are the most important tasks that companies must take when deciding to focus on customer engagement, which if correctly applied, will eventually lead the consumers and the prospects to convert and make actual transactions.

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