

The Engagement Imperative

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How bonded are U.S. customers to the brands they use?

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All customers may be created equal, but they sure don't wind up equally loyal to your company or brand. Some become strong, enthusiastic, and committed. Others do not. That's a given, and it reflects the adage that you can't please all the people all the time. What is not a given, however, is the size of the "loyalist" segment for any given brand. That number can vary markedly from brand to brand.

Customers have relationships with the brands they buy and use, and these relationships will ebb and flow over time based on how companies treat their customers. Nurturing loyal customer relationships is critically important and has enormous financial consequences in tighter economic times. Nonetheless, most companies don't understand what they can do to create customer engagement and have made precious little progress in managing it.

Why is this? A great number of companies have paid attention to the wrong outcomes, preferring to focus on those that can be readily managed and centrally controlled, while ignoring outcomes that are more elusive to measure and frustratingly difficult to manage. Focusing on the wrong target outcomes, however, leads to use of the wrong measurement tools—such as defining "loyalty" as purchase frequency/share and then trying to build that loyalty by buying it, or creating short-term transaction cost efficiencies that actually imperil a connection with customers.

Engaging the customer

As a result of their various encounters with a brand, customers can become emotionally attached to or "engaged" with the brand, or—more worrisome—they can become "disengaged." The Gallup Organization has recently developed an 11-item metric that reliably assesses the degree of customer engagement (and disengagement): the CE¹¹. When customers are disengaged, they reduce their visits and purchases. They spread the word and share their discontent with others. They leave, sometimes in droves, for the promise of greener pastures. And this can cost companies millions in lost revenue—or even, as we've found in at least one case, billions.

Customer relationships can be lasting, but they often aren't. As Leslie Gore sang it, "You Don't Own Me." In part, that's because there are an increasing number of competing options, all equally attractive (or, at times, equally unattractive). Similar cars at similar prices, similar long distance services at similar rates, similar airlines with similar prices headed to similar destinations—it all results in "me-too" marketing, with "me-too" brand promises.

Similarity doesn't produce customer engagement. Similarity creates commodities, alternatives differentiated only by the prices they charge. Products that slip into this category struggle to maintain their margins, while floundering in a sea of sameness. Like lemmings on the same slippery slope, these products are headed toward eventual commoditization. The dinosaurs are not alone.

Reaping the harvest, and paying the piper

How prevalent is “customer engagement” among U.S. consumers? How bonded are U.S. customers to the brands they use? Well, their engagement level is not nearly as strong as marketers might hope. In a recent study of more than 3,000 customers across six different product and service categories, Gallup found that about one in five (21%) of these customers is “fully engaged” with the brands they use, own, shop for or buy most often.

Importantly, an even higher number is “actively disengaged.” More than one in four (28%) U.S. customers are actively disengaged with the brands they use and own. “Actively disengaged” means that these customers feel no sense of loyalty, they exhibit no discernable pride in association with the brand, they have little trust in the brand or in how it treats customers. What’s more, they view the brand as quite readily replaceable. In short, they are ripe candidates for defection.

There are, of course, notable differences between categories. Yet, even in a highly marketed, brand-differentiated and high-involvement category such as automobiles, about a quarter (26%) of those who purchased a new car in the past four years would be categorized as “actively disengaged” with the brand they own. Think they’ll be back for another? Not without a colossal rebate—or not without a massive and pervasive culture change within the auto manufacturer and its dealers that, one that results in them paying real and meaningful attention to their customer relationships.

Some product or service categories are replete with brands that are especially imperiled. An amazing 43% of past-year domestic flyers evidence active disengagement with the airline they fly most often. Most airline customers, it seems, feel like prisoners of the skies, flying an airline with which they have little no connection, buckled in by frequent flyer miles—and little else.

Does it have to be that way? Of course not. There are impressive differences between auto brands and between competing airlines. Active disengagement among buyers of domestic U.S. autos is about twice as high (30%) as among buyers of imports (16%). Active disengagement among flyers ranges from a mind-boggling 64% for one airline to 27% for another.

Some brands, not surprisingly, do a better job—but just how high is “up?” Even the best-performing brands must confront the fact that 14%-30% of their customers are actively disengaged. What’s worse, nobody seems to be doing a whole lot to remedy that.

Why should they? Why should companies respond and tackle the “disengagement” issue? Because disengagement is a major missed opportunity, and it is expensive. Disengagement is also manageable. It can be addressed. And while it cannot be eliminated, it can certainly be reduced.

Dollars for disengagement

One hotel chain that Gallup recently studied discovered that half (just under 49%) of their allegedly “loyal” customers were in fact actively disengaged. These customers, it turns out, behaved quite differently than the chain’s engaged customers. The share of business that actively disengaged customers gave to the chain was only about half (48%) of the share that the hotel’s fully engaged customers returned to the chain. Disengagement cost this hotel money—about \$700 per customer, each year.

Similar evidence can be found in our studies of financial institutions. In one such institution, disengaged customers had deposits and assets that were 21% lower than those of fully engaged customers—a difference of just over \$8,000 per customer. Add that up over the almost 600,000 actively disengaged customers, and that’s an enormous wasted opportunity—one crying out to be addressed, and clearly meriting the investment in doing so.

Solving the problem

What does all of this imply?

First, that it's easier to identify the problem than to solve it—although problem identification is clearly step one. Significant organizational commitment and investment are warranted (as well as needed) if companies want to address the opportunity and the risk represented by customer disengagement.

Can this be done? Yes, but not by simply adding another Web site, increasing ad spending or launching yet another “top-down” corporate initiative aimed at speeding up the checkout line or getting the clerks to smile more often. It implies a coordinated and fully integrated ongoing program of relevant measurement and meaningful intervention that reaches deeply throughout the organization, wherever customers are “touched.” Simple? Hardly. Important? Assuredly.

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