

Expert Group

Customer Engagement

Guidelines for Successful Customer Engagement

Takeaways

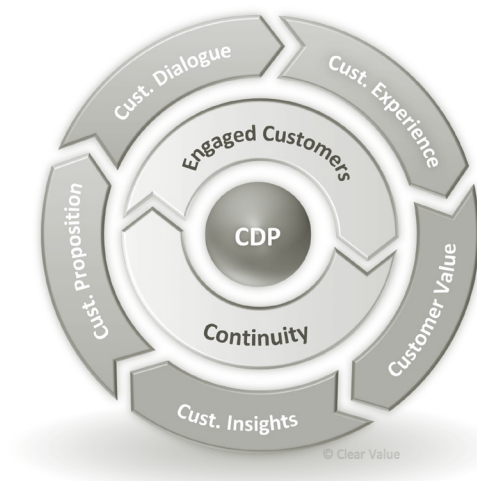
1. The Customer Engagement Framework is essentially all about customer data. A growing number of businesses recognize this data as an essential prerequisite for optimal customer engagement.
2. The data-based customer insights that form part of the Customer Engagement Framework are used to "feed" the other building blocks of the model. This makes it possible to optimize and improve business processes, propositions, customer interactions, and experiences.
3. The carefully designed and well-coordinated building blocks of the Customer Engagement Framework, which are all about making sure retailers have an up-to-date and comprehensive customer profile in, for example, a customer data platform, eventually generate two outcomes: highly satisfied customers/engaged customers ("fans") and business continuity.

Hosts

Chair

Assessing the maturity and improvement potential of customer engagement using the Customer Engagement Framework

There was a time when all there was to engaging in commerce was knowing your customers personally. Business owners knew which customers wanted their products, and why. The now-defunct French car brand Panhard is an example of just how far this would go. Back in the early twentieth century, engineers at this French motor vehicle manufacturer engaged on a personal level with each customer. It was only after the customer had stated their personal requirements that the car was manufactured and tailored to their needs. Granted, times have changed since then, but it's still necessary to take a personal approach and be relevant at each stage of the customer journey, particularly given the exponential growth in the number of sales channels. The "customer journey method" enables you to get an overview of all customer interactions as they are perceived by your customers and potential customers. Technology supports interaction at the various stages of the journey. Listening to, and communicating with, the customer at the appropriate time helps to strengthen the customer relationship. This is really the crux of customer engagement: the extent to which your customers feel emotionally involved with your company, brand, or product. In this blue paper, we are using the Customer Engagement Framework (CEF).



The purpose of the CEF is to create *engaged customers* (i.e. customers who feel a high level of involvement and are highly loyal), using a number of building blocks, in order to ensure business continuity. The

framework is a tool that allows you to assess the maturity of customer engagement in your organization and helps you to improve it.

Customer data (including profile data, contact data, purchases, and browsing behavior) is recognized by a growing number of businesses as the foundation for optimal customer engagement and is more and more often stored in *customer data platforms* (CDPs).

Analyses of this customer data provide insight into customers' needs and expectations (*customer insights*). Based on these insights, businesses can personalize their communications, time these communications (*the customer dialog*) more effectively and improve shoppers' experiences during the pre-purchase research and purchase stages (*customer experience optimization*), as well as keep track of and improve the reasons consumers shop with their company and their willingness to act as ambassadors (*engagement*). Keeping the *customer proposition* consistently in line with customers' expectations – and even exceeding these expectations – ensures that the retail formula remains up-to-date and competitive, while customers remain *engaged*. Failure to build a strong and competitive proposition is tantamount to *disengagement* on the part of your customers.

As a business or organization, you need to be aware that customers' loyalty is increasingly based on their *experience* with your brand or business. It is therefore important to focus on customer engagement.

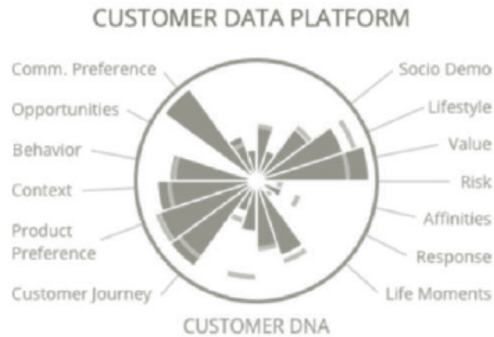
The next few chapters address each of the building blocks that make up the Customer Engagement Framework. What are the critical success factors and how can you accelerate the process?

The Customer Data Platform

The core element of the CEF, customer data, is recognized by a growing number of businesses as the foundation of optimal customer engagement. Analysis of this customer data reveals customers' needs and expectations. Based on these insights and information, you can improve business processes, propositions, customer interactions and experiences.

Preparing Fragmented Data for Use

One of the main challenges in this process is: How do you aggregate all your data in a practicable way? Customer data is generally stored in a variety of systems, sources, and files, and is managed by various departments – often referred to in business jargon as "silos." Each of these systems contains a proportion of the customer data, which means the retailer does not have access to a comprehensive customer profile. The silo issue combined with obsolete processes, inefficient management and ownership, and a non-integrated IT infrastructure means that many businesses have a hard time connecting the dots into a single customer profile. As a result, they miss opportunities to provide the best possible services to their customers. Particularly in a highly competitive market, where a growing number of competitors and newcomers are using data in conjunction with *data science* and technology, your organization needs to keep up with the latest trends. One way of doing this is by using a customer data platform (CDP).



Customer Data Platform¹

Combining Customer Data into a Single Customer View

A CDP is a key technical tool in creating a data-driven customer strategy. It is a permanently available environment in which you can combine all relevant customer data into a single, comprehensive record for each customer (*referred to as the golden record or customer DNA*). This might include online search and browsing behavior, contact details and interactions, and profiles of customers' individual interests. In other words, a CDP comprises unstructured data ("big data") in addition to traditional data such as customer receipts. Another way this solution differs from traditional *data warehouses* is that it is managed by marketers rather than the IT department. This is an advantage for both parties: marketers can quickly combine sources with customer data and analyze this data, as well as categorize customers, discover new customer segments and predict consumers' purchasing behavior. At the same time, it reduces the workload of the IT department, since far less coding is required. As soon as the CDP has identified a customer when they visit your website, use an app, or phone your call center, you can use the customer's details to make an appropriate offer or start a relevant personal interaction almost immediately. This can be done with a speed and precision that is not possible using traditional or manual methods. A CDP allows you to lay the foundation for future interactions with your customer and for the feelings they evoke in your customer – the customer experience.

1. Customer Insights Discovery

The data-based customer insights that form part of the Customer Engagement Framework are used to "feed" the other elements of the model. Without reliable insights:

- you cannot develop a customer proposition that matches your customers' needs;
- the customer dialog will not meet the customer's expectations;
- the customer experience is less personal and/or relevant;
- the impact of efforts related to *customer value* cannot be monitored, or cannot be monitored adequately.

In order to improve your customers' engagement with your organization, usable customer insights and metrics based on customer data (i.e. the aggregate result of measurements of factors such as user experience) are essential.

¹ NGDATA

The customer data platform collects accurate, up-to-date and comprehensive customer data, which analysis teams then use to deduce customer insights relating to areas such as customer satisfaction, customer value, and search and purchasing behavior. This allows your organization to develop strategies and plans, along with predictive models and algorithms designed to make services, products, and contacts in the operating process as personal and relevant as possible.

Critical Success Factors	Accelerators
<ul style="list-style-type: none"> • Central customer database (CDP) • Qualitative customer data • Top-notch analytics team • Use customer insights in the journey and decision-making process • Combine insights from different sources • Test concepts and products 	<ul style="list-style-type: none"> • Ensure alignment with business goals • Take small, tangible steps • Share successes (including minor ones) • Build knowledge and expertise in your own organization • Use state-of-the-art tools

1.1 Critical Success Factors

In order to arrive at valid insights, a comprehensive customer view, which – as discussed previously – you can create using the CDP, is essential. The available data must be up-to-date, accurate, comprehensive, and unique. In addition, it is important that the definitions used within your organization are clear and consistent so as to prevent inaccurate interpretations. In order to create as comprehensive a customer view as possible, it is important to combine insights from different sources (i.e. qualitative and quantitative data).

The analysis team must be familiar with state-of-the-art research and analysis methods, and must be able to clearly translate the insights gleaned into practical applications and involve the organization in this process. The insights gathered must result in an improved customer journey for both existing and new customers. Furthermore, the insights support the business objectives and can be used to make future decisions. The process of testing new concepts, products and services often leads to surprising new perspectives and deserves to be prioritized in the company's research agenda.

1.2 Accelerators

Small steps are often enough to achieve significant results, creating a basis for further development. To be able to accelerate the use of customer insights within your organization and increase their reach, it is important that the business objectives and goals form the point of departure. In other words, analyses are a means to an end; they should not be a goal in and of themselves. In addition, it is important to show the successes that are achieved through the use of customer insights, as well as clearly demonstrating, emphasizing, and replicating the role that these insights played in these successes. Customer insights are used to improve knowledge of customers' needs, so it is important that the skills required to collect these insights, analyze the data, and convert it into opportunities are developed in-house. The composition of the team also plays a key role. In addition to analysts, you need team members with the appropriate skills who brief the rest of the organization and can involve them in the changes that are being, or must be, implemented on the basis of the customer insights. In order to allow the team to work as efficiently as possible, they must have access to state-of-the-art tools, which can be used to easily collect, analyze, and present data in intuitive, interactive reports.

2. Customer Dialog Management

In order to create enthusiastic and engaged customers who are loyal and act as ambassadors by recommending your brand or organization to others, the effective organization of a customer dialog tailored to the individual customer's needs is essential.

Using data and the integrated customer view in the CDP, you can tailor the mutual communication (i.e. the dialog) closely to specific customer attributes and contact channels, the stage in the customer journey and the context (at home, in-store, and online). In other words, the right person will receive the right message, through the right channel, at the right time, and involving the right information. In order to achieve this, you need to define algorithms and triggers ("if A, then B...") and choose the appropriate software solutions.

Critical Success Factors	Accelerators
<ul style="list-style-type: none">• Central customer database (CDP)• Easy customer interaction• Customer-focused employees trained in effective interaction• Opportunities for "customer self-care"• Customer-centric culture• Relevant content	<ul style="list-style-type: none">• Choose between interaction channels• Monitor customer sentiment on social media and deploy capacity accordingly (including additional capacity if necessary)• Make sure the entire organization has access to the relevant expertise and feedback• Intelligent tools that facilitate dialog

2.1 Critical Success Factors

In order to establish an omnichannel dialog based on an integrated customer view, a central customer profile in the form of the previously mentioned customer data platform (CDP) is essential. The CDP not only ensures that customers are identified across the various different channels, but also that they are provided with relevant, contextual content that is tailored to factors such as the customer profile and the stage of the customer journey. The customer gets to decide what channel they would like to use.

The challenge is to make customer interaction as easy and accessible as possible, for example by integrating chat as a channel and by putting the customer in touch with an employee with the right knowhow as quickly as possible. These employees must be trained in how to conduct conversations. Another example of customer focus is giving the customer the opportunity to enter and update their personal preferences, for example in a personal environment. In order to respond to these preferences as effectively as possible, it is obviously important to have sufficient content that meets customers' various needs.

It is important for effective dialog management to foster a culture within the organization in which a customer-centered philosophy and approach are encouraged. A company's management can play a key role in this by setting and prioritizing KPIs relating to customer engagement. A CDP enables companies to make commercial decisions based on data models: rather than the most relevant customer message being determined by humans alone, a data model helps them with this. For many businesses, this involves a change in their corporate culture: it calls for a new mindset and approach. That's why, in order to implement customer engagement successfully in your organization, it is important to focus sufficiently on the aspect of culture, so that everyone is clear on the fact that customer engagement is vital to continuity and growth in *the age of the customer*.

2.2 Accelerators

In order to start improving the customer dialog using CDP, it is important to choose which channels you would like to offer your customer. Are Twitter and Pinterest really necessary, for example, or is a focus on, say, Facebook and Instagram sufficient? By narrowing your focus, you can optimize the dialog on a few select channels first before you start expanding. In organizations that receive a large amount of customer feedback, it might be useful to monitor sentiment on social media; capacity can then be increased based on this information to ensure feedback is responded to quickly. Providing access to knowledge and information at a central level ensures that employees can address customer questions and complaints more quickly and consistently. There are several tools available in the market that integrate multiple communication channels, display customer details during the conversation, and suggest answers the employee might be able to use. Feedback from customers regarding specific issues must be forwarded to the departments that can make the relevant improvements (*this is known as "closed-loop learning"*).

3. Customer Value Management (CVM)

The purpose of the *customer value management* (CVM) building block in the Framework is to ensure interaction with the customer is based on, and tailored to, the current and estimated future value represented by that customer.

Unlike with the traditional customer strategy based on segmentation, by adopting a more personal approach you can provide your customers with the best possible services and measure, estimate, and increase *return on investment* per customer more efficiently. Based on this information, you can then determine the commercial strategy for each individual customer: which customer is worth what investment? Furthermore, insight into customer value helps the entire organization to put the customer first in all its actions.

Critical Success Factors	Accelerators
<ul style="list-style-type: none"> • Clear definition of customer value based on multiple sources • Employees' tools and analytical skills • Long-term strategy based on key drivers • Objective: long-term improvement of business performance • Ongoing process involving pilot projects and tests 	<ul style="list-style-type: none"> • Start out small and make assessments at an early stage before expanding • Models should be supported by different departments • Use of artificial intelligence, marketing automation and orchestration

3.1 Critical Success Factors

What is customer value and what information is needed to calculate this value? First off, it is important to establish the definition of the term "value." CVM essentially revolves around increasing the customer's economic or financial value to the organization. In addition to economic value that can be calculated using *customer lifetime value* (CLV) methods – or which you can determine very pragmatically based on the highest attainable financial value of customers with a similar profile – social customer value and Net Promoter Scores (NPS) are also becoming a key part of the equation. Financial customer value

tends to be the focal point in measuring and influencing customer value. Information pertaining to both financial and other types of customer value tend to be stored for each individual customer and scattered across the organization. Customer Service, for example, is aware of the number of calls per customer, and by extension, what expenses were incurred for the service. Marketing, meanwhile, tracks data on customers' value on social media, while Sales or Controlling know what direct revenue each customer generates. In order to create a comprehensive picture of the value per customer, it is essential to centralize this information within the organization.

In addition to a database in which all information is integrated for each customer, having quantitative models and analytical skills among the workforce at your disposal is essential for organizations seeking to optimize their customer value management. This requires that a clear and consistent method and process description be put into place, so that all data is integrated into the systems in a consistent manner. If you fail to do this, it will be impossible at a practical level to apply models or analyses to the data. The use of clear and consistent definitions is one of the things that safeguard the quality of the insights and simplify the accurate interpretation of customer data.

The key to success: long-term thinking! When working with CVM, you need to look at the long term and try to anticipate how customer value will evolve. This cannot always be reconciled with short-term objectives, such as next week's sales revenues. Giving customers discounts is one example of a frequently used tool. This discount often has a direct effect on revenues – which is a good thing. However, it ends up having a negative impact on customer value if there is no underlying plan for retaining the loyalty of those customers who were attracted to the promotional campaign. You can drive customer value by understanding the value or potential value of the new customers you have attracted and designing your strategy accordingly, and this requires a long-term approach. The question "How will this campaign affect customer value?" must be incorporated into all commercial proposals in order to improve performance in the long term.

It is important that you identify the key drivers of CLV and understand them by obtaining the relevant insights. Examples:

- Gaining new customers (customer acquisition);
- Customer retention;
- Increasing revenues per customer (through cross-selling, upselling and deep-selling);
- Reducing customer loss (churn) or the risk thereof;
- Winning back customers;
- Reducing customer-related expenses (i.e., service expenses, relationship expenses, and staff expenses).

CVM is an ongoing process. By setting up pilot projects and tests and assessing these for the impact of customer value, you can find the optimal point between investment and revenue. It makes sense to do this within the various segments (or using personas) for the main touchpoints of the customer journey. You can then use the results of the analyses to optimize the processes, make decisions as to what type of strategy should be pursued for which customers, and determine the mix of the various channels that optimize customer value. This is an *ongoing* process. In reality, companies tend to skip this step, but testing often leads to unexpected and valuable insights.

3.2 Accelerators

The principle "Start out small and evaluate progress at an early stage before expanding" also applies to customer value. Create support within the organization, for example by sharing successes, in order

to ensure that doing assessments and tests becomes a new standard operating procedure. Since customer value models generally have strong financial elements, it is important that the models are also supported by the Finance department. In practice, we see that the businesses that excel tend to be those that pursue a long-term strategy and maintain an extreme customer focus (as opposed to focusing strictly on the bottom line.)

It is important to make sure that employees possess the required analytical skills, preferably by developing these skills in-house – same as with customer insights. This will not always lead to acceleration in the short term, as building this knowledge and experience takes time. However, in the long term you avoid becoming dependent on an external provider, thereby saving significant expenses related to third-party services.

You need to keep exploring to find out which customers are your best customers, so you can start looking for similar consumers. It is also important to be able to assess the risk that a customer will switch to a competitor, so that you can anticipate this, for example by making them appealing offers. In order to deploy these types of promotions efficiently, artificial intelligence (AI) and marketing automation (possibly in the form of the AI module and the orchestration feature in certain CDPs) can help you make the best possible offers to customers 24/7. Customer value management should be a key element of any customer engagement strategy and any company that is committed to customer-centric business.

4. Customer Experience Optimization

The role of the *customer experience optimization* building block is to improve the operational online purchasing process at various stages of the customer journey (i.e. pre-purchase research and purchase). The purpose here is to at least meet customer expectations and preferably exceed these at *moments of truth*. This means the customer is not only satisfied, but they also develop a preference for the company (loyalty), are eager to share ideas and help make improvements (co-creation), and become fans of the company and the brand (engagement).

Critical Success Factors	Accelerators
<ul style="list-style-type: none"> • Strategy-driven and brand-driven • Insight into weak links in the customer journey • Knowledge of customers which is recorded in an integrated way in a central database (CDP) • Continuous improvement • Customer-centric culture 	<ul style="list-style-type: none"> • Control and support by management • Increasing enthusiasm through quick wins • Breaking down silos with multidisciplinary teams

4.1 Critical Success Factors

This process must be based on the company's strategy and priorities, especially those pertaining specifically to the customer experience. This is a critical success factor. You can do this by creating a matrix that clearly shows the impact on business objectives (such as ROI) and customer satisfaction. In addition, it is important to determine what you represent as a brand. What do you want to be and what do you represent (i.e. what is the brand value)?

Customers use more and more different channels and touchpoints to contact your company. In order to create the best possible customer experience, weak links and bottlenecks in the customer journey need to be identified and subsequently optimized. The first step is to find out how your customers interact with your company before, during and after the shopping process as a whole. In order to do this, you need to track the customer throughout the pre-purchase research and purchasing stages. You look at which touchpoints are decisive for the customer, known as "*moments of truth*." You also need to look at what questions, emotions, feelings, thoughts, or problems arise on the part of the customer, and what the company can do to address them. This information can be obtained through customer surveys, panels, or feedback from other channels. It is important to know your customers as well as you possibly can: their needs, requirements, expectations, motivations, emotions, and experiences. These are then documented and integrated using the CDP. Based on these findings, ideas are then collected and summarized in a comprehensive customer view that is used consistently throughout the organization. The next step is to establish what is feasible, what problems or challenges you see in the customer journey, in what channels you need to take action immediately, and what improvements can be made in the longer term. This helps you create an action plan with priorities based on customer needs, and action items that result in concrete improvements.

The solutions implemented are subsequently monitored and measured, with the objective of further improving the customer journey on a gradual basis. However, not all bottlenecks need to be addressed, and not at any cost, nor are all bottlenecks equally relevant to all customers – this also depends on the customer value and on the proposition being pursued. Consistency in communications and processes is more important than a focus on "wow moments" alone. The Customer Engagement Framework provides the tools to achieve this through personal and relevant contact based on customer data.

How do you ensure that employees deliver on customer expectations, and preferably exceed them? It all starts in the boardroom, with leadership. While this may seem like a given, it is not as straightforward as it sounds, as it's not the fastest way to generate additional revenues or profit. A long-term vision of customer value is required from a board that believes in the importance of *customer centricity*; they must motivate the organization to pursue this approach and inspire employees to create an excellent customer journey. Management needs to recognize the importance of systems and technology, embrace new ways of shaping the customer experience, and invest in the systems required, including a customer data platform or customer experience platform.

4.2 Accelerators

It is important for the board to create the conditions for improving the customer experience by making effective management decisions and providing support. It often helps if successes can be quickly recognized. To this end, the board must be provided with insights and results on a timely basis. Starting out small is a good way to achieve quick wins – it allows you to quickly demonstrate results, gain traction for change and get people on board with new initiatives. One possibility is to set up a customer mission team responsible for improving one specific process in one specific area. We also recommend that you visit similar companies that have already achieved success with *customer-centric decisioning*. Another way to accelerate the process is breaking through silos by setting up multidisciplinary teams that pursue a common goal and that make it easier to create a mutual understanding.

5. Conclusion

- The Customer Engagement Framework (CEF) is essentially all about customer data. This data, made accessible through a customer data platform (CDP) or otherwise, is recognized by a growing number of businesses as an essential prerequisite for optimal customer engagement.
- The data-based customer insights that form part of the CEF are used to "feed" the other elements of the model. This makes it possible to optimize and improve business processes, propositions, customer interactions, and experiences.
- You can significantly improve the customer dialog through the use of the appropriate tools and software solutions: the right person receives the right message, through the right channel, at the right time – a message which involves the right information and has a quantifiable impact.
- Unlike with the traditional customer strategy based on segmentation, by applying customer value management and adopting a more personal approach, you can provide your customers with the best possible services and measure, predict, and increase return on investment per customer more efficiently. Based on this information, you can then determine the commercial strategy for each individual customer: which customer is worth what investment? Furthermore, insight into customer value helps the entire organization to put the customer first in all its actions.
- In order to create the best possible customer experience, weak links and bottlenecks in the customer journey need to be identified, converted into an action plan, and subsequently optimized.
- The final, and essential, link for optimal customer engagement is the basis for all customer interaction: the best customer proposition, i.e. the retail formula (store, website, or other platform) you offer your customers. By integrating retail formula management into the CEF, you ensure that your retail formula always meets your customers' needs and expectations.
- In a dynamic and rapidly changing market, the ability to adapt quickly and effectively is vital to a company's survival. This is facilitated by the data, processes, skills, and coherence of the building blocks that make up the CEF.
- The carefully designed and well-coordinated building blocks of the CEF, which are all about making sure retailers have an up-to-date and comprehensive customer profile in their CDP, eventually generate two types of outcomes: **engaged customers** (fans) and **business continuity**. ...and this completes the circle.

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