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Five 'no regrets' moves for superior customer engagement

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Customers are demanding very different kinds of relationships with companies. Here are some ways to jump-start customer engagement across your organization.

No organization can avoid coming to grips with the rapidly evolving behavior of consumers and business customers. They check prices at a keystroke and are increasingly selective about which brands share their lives. They form impressions from every encounter and post withering online reviews. As we noted in a *McKinsey Quarterly* article last year, these changes present significant organizational challenges, as well as opportunities. The biggest is that all of us have become marketers: the critical moments of interaction, or touch points, between companies and customers are increasingly spread across different parts of the organization, so customer engagement is now everyone's responsibility.[1]

In many companies, the marketing function is best placed to orchestrate customer engagement for the entire organization. To do so, the function must be pervasive—able to influence touch points it doesn't directly control. Over the past year, we've seen a wide range of companies try to address customer engagement in more integrated ways, but many executives have told us they simply don't know where to begin. The spectrum of organizational choices is broader than ever, and companies are struggling to determine the appropriate role of marketing for their business. What's more, senior executives often view any internal effort by the marketing function as a "land grab." Given the absence of solid return-on-investment data (see "Measuring marketing's worth," on mckinseyquarterly.com), they may express skepticism about marketing's place in the new environment.

Although these challenges are difficult to overcome, companies need not be frozen in place while they wait for a complete picture of the answer to emerge. The five “no regrets” moves described below help senior executives to move beyond their function-by-function view of customer engagement and to improve the coordination of activities across the broad range of touch points they must care about. By widening the lens companies use to view customer-engagement needs, enabling more rapid responses, and building internal lines of communication, these steps create nimbler organizations with more pervasive marketing.

1
Hold a customer-engagement summit

Almost all companies have annual or semiannual business-planning processes that bring senior managers together from units and functions to discuss strategies and objectives. Yet few undertake a similar process to discuss how to engage with the lifeblood of all companies: customers. We recommend holding such a summit, with a participant list that starts right at the top and cuts across units and functions. At one US health insurer, for example, the CEO’s direct involvement sparked a company-wide dialogue about how dramatically customer behavior had changed and the breadth and speed of the tactics required to keep up.

The focus of such a summit is customer *engagement*, which should not be confused with the customer *experience*; engagement goes beyond managing the experience at touch points to include all the ways companies motivate customers to invest in an ongoing relationship with a product or brand. The summit must address three things. First, line and staff managers have to align on the *vision* for engagement: what relationship do you want with your customers? Examining their decision journey helps you to compare your level of engagement with what you believe it should be. After Starbucks investigated customer engagement in France and Italy, for example, it concluded that consumers in those countries preferred traditional local café formats. As a result, it invested in distinctive store layouts and furnishings and adjusted its beverages and service techniques.[2]

Second, the summit’s participants should *coordinate* the activities required to reach and engage customers across the full range of touch points. When one multichannel retailer held its summit, the company, like many others, discovered that recent trends had left it with an anachronism: a set of touch points that should be coordinated but were instead managed independently within functional silos. A customer-engagement summit allows the senior-management team to create a coordinated plan spanning them—so that, for example, the customer experience in a call center can be coordinated with the behavior of frontline employees, or the online-registration experience with product development.

Finally, a company ought to agree on the elements of the *customer-engagement* *ecosystem* that should be undertaken in-house and those that will involve outside partners. Internal resources probably won't be able to deliver all of the requirements imposed by a world with many touch points: for instance, content and communications; data analytics and insights; product and service innovation; customer experience design and delivery; and managing brand, reputation, and corporate citizenship. Senior leaders need to decide how to carry out these activities and design the mix of in-house capabilities and external partners that will deliver them. These customer-engagement planning sessions, in addition to informing and motivating the organization as a whole around customer engagement, can help avoid spreading scarce resources too thinly.

2
Create a customer-engagement council

One of the first outcomes of a customer-engagement summit will probably be the realization that an ongoing forum for focusing management's attention on engagement is needed. This doesn't have to be yet another marketing committee. In fact, your customer-engagement council may already exist under another name, such as the strategic-planning or brand council. The purpose is to bring together all primary forms of engagement—marketing, communications, service, sales, product management, and so on—to coordinate tactics across touch points in a more timely manner.

This council, which should be an operational and decision-making body, must translate the findings of the customer-engagement summit into specific actions at individual touch points. To accomplish this goal, the council's membership needs to be large enough to ensure that all key players are represented but small enough to make decisions efficiently. One high-technology company, for example, included 17 people on the engagement council. Because it is difficult to make it function efficiently with more than a dozen or so members, decision making in practice rested with a core group comprising the chief marketing officer and the heads of the company's three primary divisions;

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subteams of the council coordinated its decisions with the company's other entities when necessary. These councils are most effective when chaired by the same person who leads the customer-engagement summit, such as the CMO or the head of communications, strategy, sales, or service.

The second consideration is how regularly the council should meet. The customer-engagement council of one retail bank meets weekly, for example; a similar council at a social-services organization, monthly. The frequency of such meetings generally is based on what key engagement activities the group is driving and their cycle time. The third consideration involves inputs and support: the council must make fact-based decisions, so it needs information on everything from priority touch points to customer behavior and the moves of competitors.

Finally, such a council must have a customer-engagement charter. To reduce the risk of gaps, rework, and turf wars, everyone in the organization needs clarity about decision rights over touch points and the key processes that affect them. As we explained last year, it's useful to allocate the design, build, operate, and renew rights for specific touch points explicitly to functional "owners." Marketing, for example, might design and renew scripts for a call center, which sales or operations would build and operate. In addition, the process of developing a charter is useful to force a dialogue about who owns and does what. More specifically, what does marketing do in customer engagement? What does it *not* do?

When conceived, constructed, and operated correctly, these customer-engagement councils play a critical role in breaking the "silo" mind-set that diminishes the effectiveness of customer engagement in many organizations. Such a council often serves as a mediator and decision maker in conflicts between functions and business units and as a filter for what must be elevated to the level of the CEO or other senior leaders.

3
Appoint a 'chief content officer'

A decade ago, when the extent of the digital revolution—the massive proliferation of media and devices and the empowerment of consumers via social networks and other channels—became clear, many companies quickly appointed "digital officers" to oversee these emerging touch points. It's now evident that the challenge is not just understanding digital channels but also coping with the volume, nature, and velocity of the content needed to use them effectively. Companies need to create a supply chain of increasingly sophisticated and interactive content to feed consumer demand for information and engagement, not to mention a mechanism for managing the content consumers themselves generate. The emergence of companies-as-publishers demands the appointment of a chief content officer (CCO).

Companies across industries—from luxury goods to retailing, financial services, automotive, and even professional sports—are creating versions of this role. All are adopting a journalistic approach to recognize hot issues and shaping emerging sentiment by delivering compelling content that forges stronger emotional bonds with consumers. The CCO role is designed to provide the on-brand, topical, and provocative content needed to engage customers. The CCO must develop and manage all aspects of the supply chain for content, ranging from deciding where and how it's sourced to overseeing the external agencies and in-house creative talent generating it.

Companies shouldn't forget that even with a CCO in place, designing and executing a content strategy still requires coordination with several key business areas. The group responsible for gathering and analyzing customer insights, for example, may need a new mandate to support the CCO by providing research on what customers and segments require, as well as where, when, and how that content can most effectively be delivered. The CCO may need help from human resources to find, attract, manage, motivate, and develop the in-house creative talent often required to fulfill a content vision. The CCO will have to work closely with the team responsible for shaping brand perceptions to understand the company's character deeply—its heritage, purpose, and values—and with areas such as corporate social responsibility, investor relations, and government affairs to gain a full perspective on how the company interacts with external stakeholders.

4
Create a 'listening center'

Engagement is a conversation, yet companies are increasingly excluded from many of the most important discussions. More social and other media are available to mobilize your fans and opponents than ever before, and any interaction between a customer and your company could be the match that starts a viral fire. In this environment, companies should establish listening centers that monitor what is being said about their organizations, products, and services on social media, blogs, and other online forums.[3]

Such monitoring should be hardwired into the business to shorten response times during real and potential crises, complement internal metrics and traditional tracking research on brand performance, feed consumer feedback into the product-development process, and serve as a platform for testing customer reactions. We're already seeing listening centers established across a broad swath of sectors from financial services to hospitality to consumer goods. A French telecommunications company not only monitors online activity but also has a tool kit of prepared responses. "I can't predict what crisis will hit," a senior executive at the company said. "But depending on the magnitude of it, I know the people I need to get in the room and what to discuss."

5
Challenge your total customer-engagement budget

Many companies struggle to figure out how they can afford all the new tactics, vehicles, and content types required to engage with customers effectively. We propose a different mind-set: recognizing that there's plenty of money, but in the wrong places. Companies can now communicate with customers much more productively: digital and social channels, for example, are radically cheaper (and sometimes more effective) than traditional media communications or face-to-face sales visits. When you make trade-offs across functions, you can free large amounts of money to invest elsewhere; if the experience of customers is so positive that they voluntarily serve as advocates for your brand, for example, can you reduce advertising expenditures? The moves your customer service center makes to resolve a crisis—say, a lost credit card on a honeymoon or a major machine failure on a critical production run—may build more lifetime loyalty than years of traditional loyalty campaigns.

What prevents many companies from realizing these productivity gains and cross-function trade-offs is a failure to look at total spending on customer engagement. They don't see the opportunities to make trade-offs across functions and optimize the impact of investments across the entire set of touch points. Most budget on a function-by-function basis, and measure impact the same way. When you look at these expenditures and investments that way, there is almost never enough money, because each function seeks increased funding to improve the customer interactions for which it is accountable. That's a losing game.

Instead, add up what you spend on customer engagement—in areas such as sales, service, operations, and product management, as well as in marketing. Then identify all the radically cheaper approaches you could take and ask, for example, how you would take them if your budget was 15 percent of its current size or how a competitor in an emerging market would approach this problem. Such exercises help to break the ingrained assumptions and conventional wisdom that creep into organizations and to highlight overlooked opportunities.

Finally, look at trade-offs across functions—for example, among investments in store renovations, revamped e-commerce sites, higher ad spending, changes in your model of sales force coverage, or improved operations in customer service centers. Which of these should be prioritized and in what order? Such decisions should be made not just on the projected financial returns but also on a strategic assessment of how

For more on fostering innovative thinking, see "Sparking creativity in teams: An executive's guide," on mckinseyquarterly.com.

customer expectations are evolving, how competitors are changing their methods of customer engagement, and where your company may have distinctive capabilities that could help it win through superior customer engagement.

One major Asian retailer did exactly this. Faced with ever-rising costs, it looked at its entire customer-engagement budget and identified where it was underperforming or missing out on new approaches to engagement. With that baseline, it cut 25 percent off its traditional marketing budget, invested in customer service, and reallocated other marketing expenditures to focus on digital, social, and mobile channels. By reducing in-store operations costs, the retailer financed new investments in a major loyalty program to improve its engagement with customers. As a result, 70 percent of the company's sales now are to members of its loyalty program—about three times the rate of its competitors. Total costs are lower and margins higher, despite a challenging retail environment.

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More customer interactions across more touch points are shaping the degree of engagement a customer feels with your company. The critical barrier to harnessing the potential value in this shift is organizational—companies that learn to design and execute effective customer-engagement strategies will have the advantage; the others will lose ground. We have no doubt that companies will one day evolve the full set of processes and structures needed to manage customer engagement across the whole organization. Until then, these five steps can get you moving in the right direction. o

[1] See Tom French, Laura LaBerge, and Paul Magill, "We're all marketers now," mckinseyquarterly.com, July 2011.

[2] See Liz Alderman, "In Europe, Starbucks adjusts to a café culture," *New York Times*, March 30, 2012.

[3] For more about the importance of monitoring social networks and responding to consumers, see Roxane Divol, David Edelman, and Hugo Sarrazin, "Demystifying social media," mckinseyquarterly.com, April 2012. For some real-life examples of how companies are using social media to drive engagement, see "How we see it: Three senior executives on the future of marketing," mckinseyquarterly.com, July 2011.

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