



SPIEGEL
RESEARCH
CENTER

The Consumer Engagement Engine

\ A Contemporary Framework



*How Consumers
Engage with Brands
and How Engagement
Impacts Value*

\ Executive Summary

A New Framework for Understanding How Consumers Engage with Brands and How Engagement Impacts Value

Marketing practitioners know that for brands to successfully influence today's consumer, brands must engage more effectively and relevantly. And they must do so in new and possibly unfamiliar ways.

The engagement knowledge gap

Although the topic of engagement is regularly researched and discussed, the contemporary dynamic for how engagement occurs has not been adequately explained. We believe this confusion stems from using a framework that was once revered but now is antiquated. "The Funnel," based on the AIDA Model that St. Elmo Lewis developed more than a century ago, does not adequately reflect the dynamic, multidirectional, and always-on ways that consumers and brands engage with each other in today's digital landscape.

Our research

Northwestern University's Medill IMC Spiegel Digital & Database Research Center has conducted research into how consumers engage with brands and how this engagement impacts customer value. From this research, we have developed an alternative framework, the **Consumer Engagement Engine**. This framework demonstrates how marketers must engage with consumers based on how consumers are engaging with one another and with brands.

QUESTIONS WE ADDRESS

This report will help marketers answer many of the most pressing questions they face about consumer engagement:

- Are your current engagement strategies effectively growing customer value?
- Which types of customer engagement drive the most value?
- How important are your existing customers in driving awareness and engagement?
- Do your engagement strategies drive relevant interaction between your customers and your brand?
- Are you simply broadcasting messages and expecting them to drive engagement? Or are you listening to your audience and responding in ways that they want to engage with you?



Replacing “The Funnel” with “The Engine”

Why the Consumer Engagement Engine provides a framework for understanding the ways that engagement grows value today.

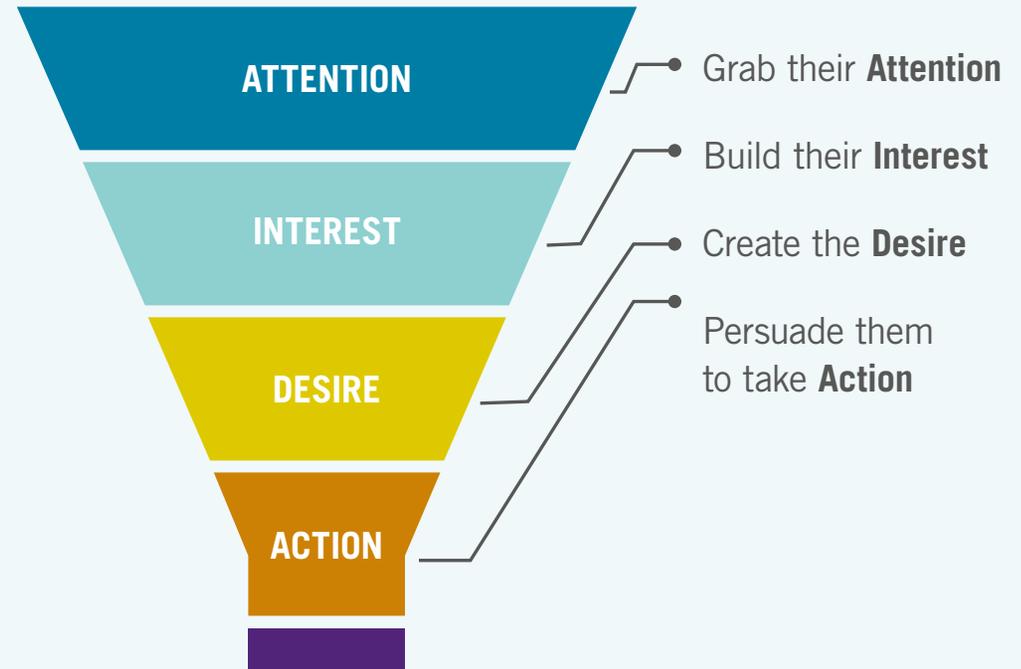
The Funnel's Digital Disconnect

For more than a century, marketers have relied on the Attention-Interest-Desire-Action (AIDA) Model, developed by Elias St. Elmo Lewis in 1902, to understand how consumers learn about and take actions related to brands.

The growing influence of the consumer's voice in an always-on digital environment, however, has made obsolete many of the assumptions that underlie the funnel-based view of how consumers and brands engage with each other.

Funnel assumptions:

- Engagement is a linear process with a distinct beginning and end
- Communications are initiated and controlled by the brand
- The only communications that influence the purchase are between the consumer and the brand



Consumer engagement is no longer explained by a funnel that is managed by the brand.

01



Evan is planning on getting a new car in the next six months, but the Toyota Prius hadn't been on his radar until he sees his friend Paige's tweet.



Paige_1985:
Lovin' my new #Prius



>>>>Evan_McG51:
Sweet ride, @Paige_1985!

02



His interest piqued, Evan heads to TrueCar to see how much a new Prius costs.



03



Now Evan is curious to see what his other friends have to say.



Evan: Hey Facebook friends, I'm thinking about getting a Toyota Prius. Do you think I should do it?



Heather: Yes!!! I LOVE ♥♥♥ mine!



Ryan: My sister got one, and she seems to like it.

How Engagement Works for the Digital Consumer

No longer a linear process where the consumer moves neatly from the top of the funnel to the bottom, all while interacting directly with the brand, today's consumer journey often is initiated by peers and involves many non-brand third parties along the way.

04



While checking football scores that weekend on ESPN.com, Evan sees a retargeting ad from Toyota advertising a year-end sale. So Evan decides to head to his local dealer for a test drive.



06



Of course, the first thing Evan does when he gets home is to tweet about his car. After a month, he has become such a fan of his car that he starts blogging about all of the road trips he can now afford to go on in his fuel-efficient hybrid.



>>>>Evan_McG51:
Just brought this baby home #Prius #SweetRide #GreenRide



>>>>Logan8757:
@Evan_McG51, you'll have to let me have a test drive sometime!

05



Evan loved the test drive and he was able to beat the pricing shown on TrueCar, so he makes the purchase and drives home with a brand new Prius!



Introducing: The Consumer Engagement Engine

Engagement in today's digital communications ecosystem works not like a funnel but like an engine where brands and consumers are synergistically interacting with each other in new ways that can have a powerful impact on customer value.



Defining Characteristics of the Consumer Engagement Engine

While the Consumer Engagement Engine differs from the traditional funnel in many ways, these five characteristics are particularly important to marketers looking to engage with consumers in relevant and valuable ways.



The engine is elegant: It's made of five interlocking components: **brand actions, customer motivations, purchase behaviors, brand consumption, and brand dialogue behaviors.** Consumers are constantly being influenced by messages from friends, social networks, strangers, the media, and intermediaries—messages that are sent and delivered across numerous platforms and devices.

There is no on/off switch: Unlike the funnel, which represents engagement as a linear process with a beginning and an end, the engine reflects the always-on state of engagement. Unlike the funnel's "end," often the purchase is the catalyst for the start of new and enhanced levels of engagement. The engagement engine is in perpetual motion.

Brand Actions are just one of the cogs: The brand no longer controls when and how consumer engagement occurs. Today, customers or other actors are just as likely as marketers to initiate brand-related communication. Brands are moving from being **broadcasters** to being **listener-responders.**

Users of the brand are vital: Buyers' **brand consumption** experiences—good or bad—are fuel for sharing. The good ones positively power the engine.

Brand dialogue behavior is the biggest cog: Our research found that non-purchase behaviors, or "brand dialogue behaviors" (BDBs), have the greatest impact on future engagement. We uncovered powerful insights about how BDBs are driving customer lifetime value. Throughout the rest of this report, we will examine BDBs and their role in driving value.



Understanding and Ranking Brand Dialogue Behaviors

What we discovered about the relative value of engagement across the BDB hierarchy has powerful implications for marketers.

The Many Forms of Brand Dialogue Behaviors

We've found that the types of engagement that frequently had the greatest impact on consumers were brand dialogue behaviors (BDBs), which can involve consumers, other purchasers, non-purchasers, and the brand itself. We also found that these BDBs currently lack a categorization, taxonomy, or ranking according to the value they create for the brand.

Brands need to better understand the opportunity presented by BDBs, as well as the brand's role in BDBs—a role that involves enhancing the customer experience and/or listening and responding to the engagements.

Common forms of brand dialogue behaviors include:

- Viewing brand-focused videos
- Liking a friend's post about a brand
- Posting a consumer review
- Checking in at a store on a smartphone
- Getting a brand tattoo
- Participating in a brand-sponsored contest
- Filling out a survey
- Discussing a brand with a friend at a party
- Downloading branded apps
- Contacting a brand's customer support
- And many more

The Brand Dialogue Behavior Hierarchy

BDBs can be categorized into three distinct types, all of which have an increasing degree of interactivity and value for the brand: **observation**, **participation**, and **co-creation**.

Let's see how Evan, the new Prius owner and enthusiast, fits into this hierarchy.



1. OBSERVATION:

“Lean back” behavior where the consumer takes a passive role, such as Evan seeing Paige’s tweet about her new Prius or looking at the retargeting ad on ESPN.com.



2. PARTICIPATION:

When Evan replied to Paige’s tweet and when he visited TrueCar.com to look up the price, he was taking an active role in engaging with the brand.

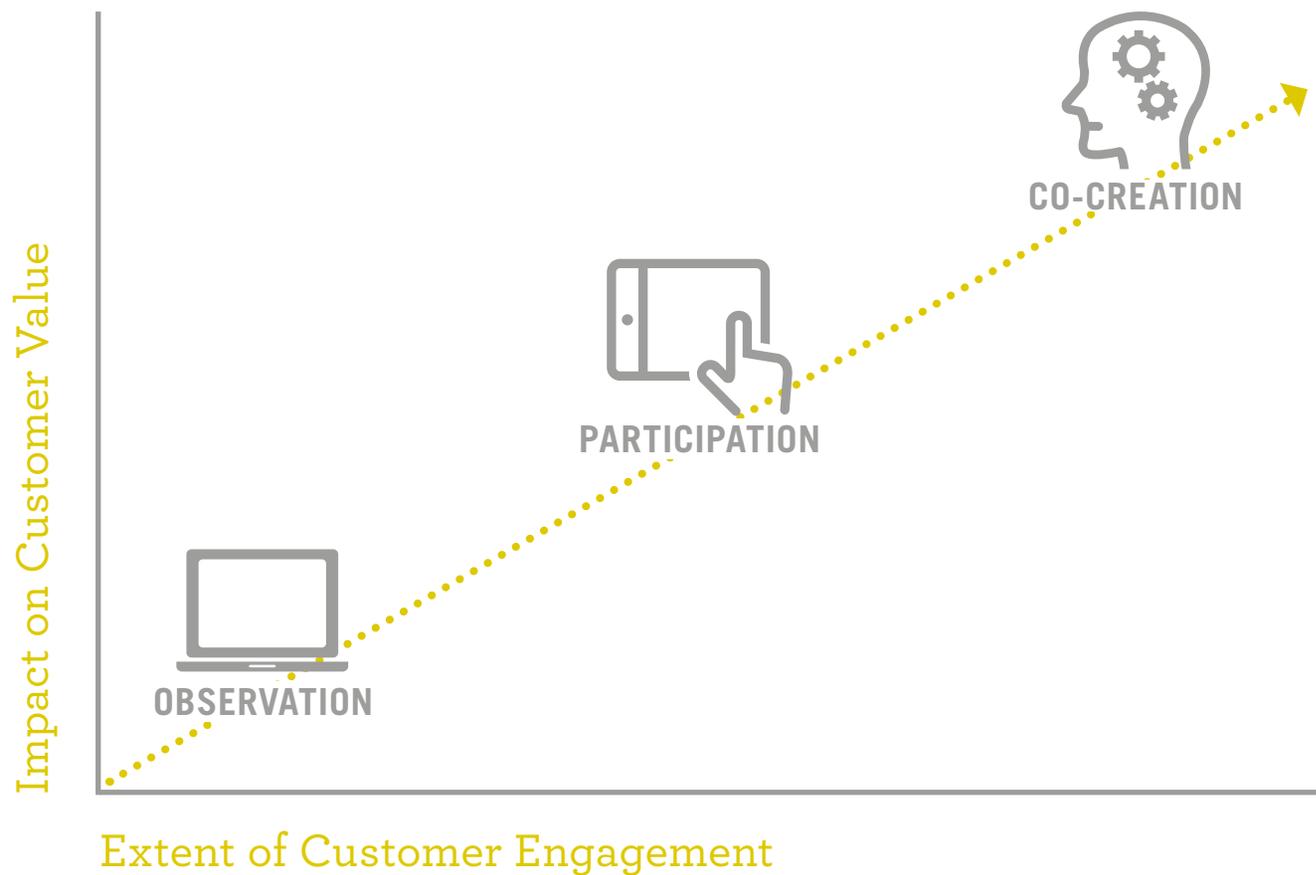


3. CO-CREATION:

Evan’s blog about his Prius road trips is an example of co-creation. Other common forms of co-creation include participating in a contest to create a new flavor of potato chips, writing a product review, or voting on the winner of a reality TV show.

Greater Relevant Engagement Drives Greater Customer Value

We found that as consumers engage more actively and in ways that involve relevant interaction with the brand, there is a strong correlation to increasing levels of customer lifetime value.



How Brand Dialogue Behavior Drives Customer Lifetime Value

Across all levels of the BDB hierarchy—**observation, participation, and co-creation**—we found that there are two primary factors that determine a BDB’s impact on customer value: **brand and personal-goal relevance** and **level of engagement**.

LEARN MORE AT

spiegel.medill.northwestern.edu/studies/social-media-contests.html

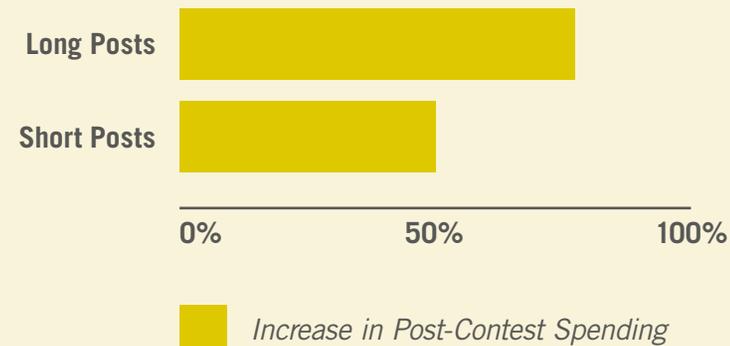
Brand and Personal-Goal Relevance

This measure refers to the degree that the behavior relates to the consumer’s personal brand and category-related goals. Brands should avoid investing in engagement strategies that don’t lie at the intersection of the consumer’s personal goals and how the product or service helps the consumer attain that goal. For example, our research into a travel rewards program’s social media contests found that topics that were closely related to travel generated much higher engagement than non-travel topics such as “mommy moments” and “living greener.”

Levels of Engagement

The greater the active engagement with a brand, the more this engagement will add value to the relationship for the brand. Our research into the travel rewards program found that respondents who posted long responses increased their purchases by 80% after the contest while respondents with shorter posts increased their purchase by only 49%.

Posters Who Elaborate More Spend More





Using the Customer Engagement Engine to Improve Customer Value

Five insights to help marketers improve
engagement with their brands

How Marketers Can Rev the Engagement Engine for Their Brands

These five recommendations will help marketing practitioners and brands engage with consumers in ways that lead to improved customer lifetime value within the Consumer Engagement Engine.



- 1. ADOPT THE ENGINE**
Use the framework to better engage and drive value for your brand
- 2. MAP YOUR ENGAGEMENT**
Identify where your engagement efforts lie on the brand dialogue behavior hierarchy
- 3. INVEST IN YOUR CUSTOMERS**
Invest heavily in customer experiences and help this audience become your advertisers
- 4. DRIVE RELEVANT ENGAGEMENT ONLY**
Stimulate only the types of engagement that create a relevant connection to the brand
- 5. LISTEN AND RESPOND**
Use social media to be a responder, not just a broadcaster

\ Managerial Implication No. 1:

Adopt the Engine as a Framework for Understanding How Engagement Is—or Is Not—Driving Value for Your Brand

Are your current engagement strategies effectively growing customer value?

Adopting the Consumer Engagement Engine framework is an important first step for brands struggling to understand how engagement occurs in today's marketing landscape. Adopting the engine mindset will help brands assess not only how their own actions are driving engagement, but also how the actions of consumers and other players are creating engagement.



HOW IT WORKS:

Within the engine framework, brands should rethink past assumptions, such as “mobile doesn't convert.” Because brand dialogue behaviors play such a large role in influencing consumers, brands should measure the immediate and long-term impact of engagement on customer value, not just conversion or direct revenue generation.



CASE EXAMPLE:

Technology companies using the “freemium” model, such as Spotify, understand that even listeners who never purchase a paid subscription create value for the brand by sharing their favorite songs and playlists across social media.

\ Managerial Implication No. 2:

Identify Where Your Engagement Strategies Lie on the Brand Dialogue Behavior Hierarchy

Which types of customer engagement drive the most value?

The hierarchy of brand dialogue behaviors—**observation**, **participation**, and **co-creation**—has powerful implications for marketers as they seek to increase customer lifetime value with improved levels of interactivity and relevance. Marketers should use this hierarchy to evaluate their existing engagement efforts and develop new ones.



HOW IT WORKS:

Brands should expand or recalibrate their ROI measures to account for the relative impact that BDBs have on customer value across the three levels of the hierarchy. Accordingly, brands should invest more resources in campaigns that spur participation and co-creation.



CASE EXAMPLE:

Doritos' "Crash the Super Bowl" contest rewards fans for submitting ad ideas and then allows other fans to participate by voting on the winner.

\ Managerial Implication No. 3:

Invest Heavily in Customers and Their Experiences

How important are your existing customers in driving awareness and engagement?

It's common for marketers to focus on chasing new customers, but current customers are the ones engaging in brand dialogue behaviors that are authentically engaging prospects.

The Consumer Engagement Engine shows that existing customers, who are increasingly empowered to share their experiences and create other forms of brand-related content, play an outsized role in building awareness and affinity for your brand. Your customers become your advertisers.



HOW IT WORKS:

Understand that a customer's value to a brand as an advertiser or ambassador may greatly outweigh his or her value as a future purchaser. Investments that improve the quality of a customer's experience will often be leveraged across that customer's social networks.

Peapod[®]



CASE EXAMPLE:

Spiegel's research into data provided by Peapod and the Air Miles rewards program found that relevant branded apps will add value to the customer experience and grow revenues. To read our analysis of how Peapod customers' adoption of mobile shopping affected subsequent purchase behavior and how Air Miles members' purchase behavior correlates with their use of the app, visit:

spiegel.medill.northwestern.edu/studies/

\ Managerial Implication No. 4:

Stimulate Only the Types of Engagement that Drive Relevant Connection to Your Brand

Do your engagement strategies drive relevant interaction between your customers and your brand?

Our research found that in order for engagement to create value for the brand, the engagement needs to lie at the intersection of the consumer's personal goals and how the product or service contributes to the consumer attaining those goals. Brand engagement that is irrelevant to the brand will have little effect on future loyalty and purchase behavior or—like bad advertising—could even be detrimental.



HOW IT WORKS:

The need to focus on brand and personal-goal relevancy is particularly important when it comes to co-creation campaigns. Resist the temptation to invite consumers to create content on themes that aren't related to the brand's core value proposition.



CASE EXAMPLE:

Spiegel's research into Air Miles' social contests found that prompts that were highly relevant to travel rewards generated dramatically more engagement, which leads to increased customer lifetime value, than non-relevant contests. For example, prompts that asked members to share how they plan on redeeming their miles generated significantly more engagement than prompts related to "mommy moments" and "living green." Learn more at:

spiegel.medill.northwestern.edu/studies/

\ Managerial Implication No. 5:

Be a Monitor and Responder on Social Media—Not Just a Broadcaster

Are you simply broadcasting messages and expecting them to drive engagement? Or are you listening to your audience and responding in ways that the audience wants to engage with you?

Under the funnel view where brands control engagement, it may be enough to simply use social media as an additional channel for disseminating marketing messages. The Consumer Engagement Engine, however, illustrates that listening to the conversations that are going on about the brand and responding to those conversations is extremely valuable for brands. This also means that brands need to be paying close attention to how consumers are engaging with each other, not just with the brand.



HOW IT WORKS:

When creating budgets and goals for a social strategy, listening and responding need to be prioritized. Significant resources should be allocated to building a team that can monitor conversations and respond to engaged audiences in real time. Also, social ROI models should reflect the importance of listening and responding.



CASE EXAMPLE:

Taco Bell has built a “newsroom” for its social media team, which allows the team to be constantly monitoring and responding to conversations involving the brand around the world.

The Consumer Engagement Engine: Review the Research

As marketing practitioners continue to adapt to the opportunities and challenges presented by today's rapidly evolving communications landscape, we believe the Consumer Engagement Engine will be a valuable tool for helping marketers engage with existing customers, prospects, intermediaries, and other actors in ways that create value for the brand.

Consumer Engagement Research Team

The research supporting this report was led by the following members of the Spiegel Research Center:

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LEARN MORE about the Spiegel Research Center's research-driven insights on marketing communications by visiting: spiegel.medill.northwestern.edu

 <p>Social Media Contests</p> <p><i>Do consumers who engage in social media contests buy more?</i></p>	 <p>Online Negative Word-of-Mouth</p> <p><i>Do negative posts in a social media environment impact purchase behavior?</i></p>	 <p>Mobile Apps</p> <p><i>Do consumers who engage with a brand on their mobile phone buy more?</i></p>
 <p>Loyalty Programs</p> <p><i>Do instant rewards drive purchase in a loyalty program?</i></p>	 <p>Online Reviews</p> <p><i>How do star ratings and review content influence purchase?</i></p>	 <p>Multi-Platform Engagement</p> <p><i>How does multi-channel engagement affect purchase behavior?</i></p>

About the Spiegel Research Center

Understanding Customer Engagement that Drives Business Performance

The Medill IMC Spiegel Digital & Database Research Center is the first research center at the Medill School of Journalism, Media, Integrated Marketing Communications. It was founded in 2011 by a generous gift from the late Professor Emeritus Edward J. “Ted” Spiegel and his wife Audrey and fortified by the support of corporations, alumni, and friends. The center is part of Northwestern’s long tradition of applied research about advertising and marketing. The focus of the Spiegel Research Center is to do evidence-based, data-driven analysis to prove the relationship between customer engagement and purchase behavior. The center’s research focuses on consumer behavior in social media and on mobile devices.

