Engagement
The New Competitive Advantage

Creating Value by Strengthening Employee and Customer Engagement

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executive overview

"The future isn't what it used to be," Yogi Berra once wryly noted—and that insight is truer now than ever before. Increasingly, companies are realizing that a future defined in terms of the traditional axes of competition—product, price, place, and promotion—will no longer propel growth, but simply allow parity with the competition to be perpetuated. Winning today requires a new competitive advantage: *people*—both employees and customers—who are not only satisfied, not only loyal, but also engaged. You know it when you see it: an enthusiasm for your company, an emotional connection to your brand, and a level of energy that is unmistakable. It is this passion that causes employees and customers to be engaged with your business—and thereby to deliver enhanced profits.

Yes, you've heard the talk about engagement before, and there certainly has been a lot of it in recent years. What's different now—what's *really* different now—is that there is a way for companies to "walk the talk," and to move engagement from a conceptual notion to a concrete opportunity that actually delivers results. The reader of this white paper will walk away with an enhanced understanding of engagement, a recognition of why it is so critical today, a realization that it can be measured and managed, knowledge of what drives it, and an appreciation of its multifaceted impact on the business—plus, tools, tips, and techniques to get going.

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The New View of Engagement

Engagement has as many definitions as it does proponents, but three core elements are common among them all. First, engagement is generally understood to have a rational or intellectual component, capturing the extent to which an employee recognizes and agrees with the company's mission or a customer values the attributes of a brand, for example. Second, there is a behavioral factor (e.g., recommending or purchasing) in which high energy and discretionary effort are present. Third, there is an emotional facet, exhibited as an attitudinal attachment or as enthusiasm.

While these elements of engagement are fundamental, this scholarly perspective does not easily support the practical application or measurement of the concept, nor does it incorporate the basic building blocks of satisfaction, quality, or loyalty that have been proven to be important for business success and on which many companies have already expended significant resources. Building and extending upon that foundation, the new view of engagement involves five levels (see Figure 1).

At its most basic level, an engaged employee or customer must be *satisfied*—the person's expectations of the performance of the company or the product must be met. If this is achieved, then there exists the opportunity to build *loyalty*—the intent of an employee to remain a member of the company's workforce or of a customer to continue patronage of the company. Loyal individuals have the option of *recommending* the company to friends, and doing so defines the next layer of the hierarchy. For employees, the viewpoint that the company is one of the best places to work—or, for customers, that it has the best

> **"Engagement is the soft and fuzzy business of connecting your products and services to the human heart. But, today it is completely practical, delivering hard, measurable benefits."**
> — Kyle LaMalfa, Best Practices Manager, Allegiance

products or services—represents one more step up the engagement ladder. Finally, the last tier of the continuum involves an emotional connection, reflected in an employee being proud to work for the company or a customer being *excited* about the direction of the company.

"This view of engagement," notes Kyle LaMalfa, Best Practices Manager at Allegiance, "positions the more traditional facets of employee and customer interactions, such as satisfaction and loyalty, into a more comprehensive and practical context. It also exposes the myth that willingness to recommend is the peak on a company's climb toward excellence."

Used as a measurement model, this multicomponent view of engagement allows a business to understand both the transitory and the more stable aspects of its relationships with employees and customers. For example, while measures of satisfaction are prone to increase or decrease based upon the single most recent interaction, those higher-level measures that probe the dimensions of excitement toward the company are not. Additionally, while it is possible to "game the system" and disguise the true status of the relationships when only measuring satisfaction, doing so with a more comprehensive set of engagement measures becomes nearly impossible.

"To achieve success," explains Chris Cottle, Vice President of Corporate Marketing at Allegiance, "it is now vital that a company orient its radar toward engagement. It is in fact the new business imperative."

Figure 1: **Hierarchy of Engagement**

Engagement is a hierarchical organization of perceptions and emotions toward a company and its products and services by its employees and customers, built upon a foundation of trust.

Source: Allegiance

case in point

RS Medical Uses Feedback to Strengthen Products

RS Medical is America's premier provider of physician-prescribed home electrotherapy rehabilitation products and services, whose customers include physicians, patients, and their insurance companies.[1] Today, the company is collecting feedback from both its employees and customers to enhance their level of engagement as well as address specific business needs.

With customers, the measurement of satisfaction and the collection of (and response to) feedback is a requirement for meeting industry accreditation standards. As a consequence, the company has made a commitment to obtaining and using customer feedback, and is receiving suggestions for product and service improvements that are now reviewed by its Customer Satisfaction Committee. Whether the feedback channel is the web, the call center, or a paper questionnaire, it is all centralized into one single database for ease of management and reporting.

"RS Medical now has the tools to address all types of feedback," explains Alicia Munoz, Quality Project Specialist at RS Medical. "We can specifically point to tangibles. We now have workflows and processes to address any number of feedback issues. Consistency and integrity of the response can now be monitored."[2]

"I can honestly say that here at our corporate office, everyone is so very pleased because we are all on the same page," notes Munoz. "Employees have especially benefited, as they can anonymously communicate issues with Human Resources. For the first time, compliments about our Field Sales Personnel are captured for all to appreciate. And now, we finally have baseline feedback that can be used to benchmark ourselves as an industry leader."[2]

The Business Imperative for Engagement

Engagement is the lynchpin of business success. Building on the seminal work of James Heskett, a faculty member at the Harvard Business School who advanced the "Service-Profit Chain"[3] in 1994, researchers and practitioners have since empirically linked employee satisfaction to employee retention and productivity, to customer satisfaction, to customer loyalty, and ultimately to revenue growth and profitability. Today, the business case for both employee engagement and customer engagement is compelling, and encompasses the critical and timely issues of (1) *productivity*, ensuring that each resource is fully utilized for maximum gain; (2) *performance*, delivering financial benefit through both cost control and revenue generation; and (3) *sustainability*, enhancing the likelihood of a persistent advantage for the firm.

> **"This isn't just warm, fuzzy stuff. It's solid business logic."[4]**
> —Myron Ullman III, Chairman and CEO, JCPenney

Productivity

Depending upon the industry, personnel-related costs can account for up to 60 to 70 percent of a company's total expenditures.[5] As a consequence, it is essential that businesses secure the maximum return from their investment in human capital. Today's best companies are making it happen by building and nurturing employee engagement.

Consider the facts. Increasing an employee's level of engagement from low to high yields a 21 percent increase in performance.[6] Those employees with the highest levels of commitment perform 20 percent better.[7] Offices with engaged employees are 43 percent more productive.[8]

Engaged customers are more beneficial for a business, too. They deliver repeat business through enhanced loyalty.[9,10] They are easier to persuade and are prone to your promotions.[11] They add value to your business through word-of-mouth recommendations.[12,13]

Performance

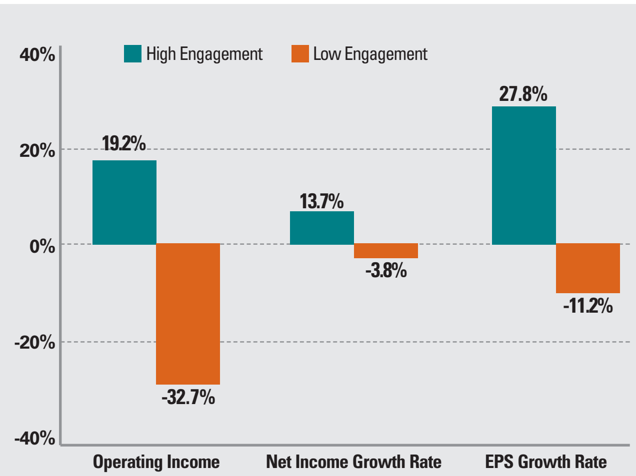
Engagement with the company by its employees and with the brand by its customers each deliver significant financial performance for the firm. (see Figures 2 and 3).

Employees. Considering employee engagement, the performance benefits are substantial.

- Engaged employees intend to stay with their current employer at a considerably higher level than those who are disengaged (85 versus 27 percent),[14] minimizing the costs of replacement, which can be as much as 150 percent of the salary of the position.[15]
- Moving a workforce of 10,000 from low to high engagement has been estimated to have an impact of over $42 million.[6]
- As compared to companies experiencing single-digit rates of growth, those with a double-digit rate have 39 percent more employees who are highly engaged—and 45 percent less who are highly disengaged.[16]
- Total shareholder return (TSR) increases in concert with employee engagement: in companies where 60-70 percent are engaged, the average TSR is 24 percent; where 49-60 percent are engaged, TSR drops to 9.1 percent; and, where less than 25 percent are engaged, TSR is negative.[6]
- The earnings per share (EPS) metric exhibits a similar pattern: the top 25 percent of public companies with the highest levels of employee engagement have an EPS growth rate 2.6 times that of below-average companies.[17]

Best Buy, for example, was able to demonstrate that an increase in engagement among store employees of 0.1 on a five-point scale results in an annual profit increase of $100,000 for the store.[18] At JCPenney, it has been shown that stores with high levels of engagement (i.e., in the top 25 percent) deliver 36 percent greater operating income than stores of similar size with low levels of engagement (i.e., in the bottom 25 percent); they also produce about 10 percent more in sales per square foot than average.[4]

Figure 2: **Impact of Employee Engagement on Financial Performance**



High levels of employee engagement are associated with positive 12-month changes in operating income, net income growth rate, and earnings per share (EPS) growth rate.[19]

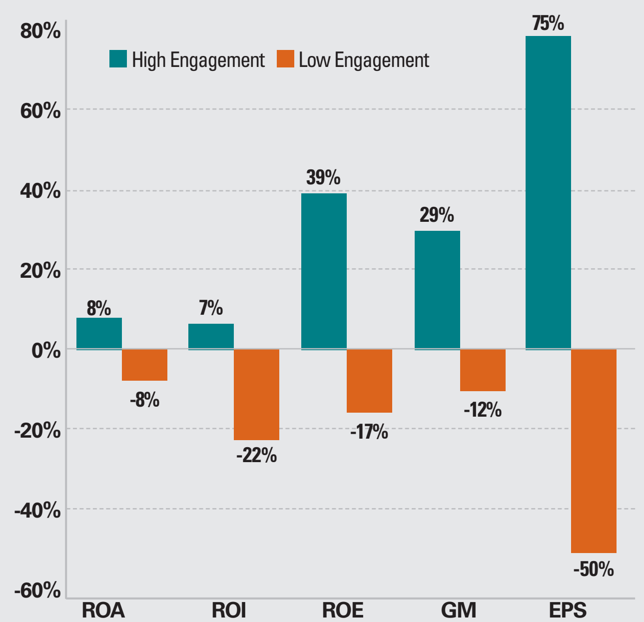
Source: ISR Research

Customers. Executives from around the globe agree: the benefits of building customer engagement are significant, including improved customer loyalty (80 percent), increased revenue (76 percent), and increased profit (75 percent).[10] Their perspective is consistent with independent research demonstrating that highly engaged customers deliver a 23 percent increase in share of wallet, profitability, and revenue as compared to the average customer.[20]

An examination of the casual-dining sector documents the benefits of customer engagement (see Figure 3). When comparing those with a high level of customer engagement to those with a low level, a marked difference in financial performance emerges. High customer engagement delivers a return on investment of 7 percent, versus -22 percent when engagement is low; for the gross margin metric, the spread is larger, 29 percent versus -12 percent; and for earnings per share, the difference is even greater, 75 percent versus -50 percent.

Employees x Customers. While employee engagement and customer engagement individually drive high levels of business performance, together they are a potent combination. An analysis of 1,979 business units in 10 companies shows that those with high levels of engagement for both are roughly twice as effective financially as those that excel on only form of engagement, as measured by total sales and revenue. For one luxury retail chain, the joint impact of employee and customer engagement delivered an average of $21 more in earnings per square foot, for a total of more than $32 million for the entire chain.[20]

Figure 3: **Impact of Customer Engagement on Financial Performance**



High levels of customer engagement are associated with improvements in many financial metrics, including return on assets (ROA), return on investment (ROI), return on equity (ROE), gross margin (GM), and earnings per share (EPS).[21]

Source: PeopleMetrics

case in point

Vectra Bank Colorado Focuses on Listening

Vectra Bank Colorado is a full-service financial institution, offering banking, trust, investment, and financial planning products and services to individuals and businesses.[22] "How our people treat our customers, how they serve them—and our ability to listen to our customers, hear what they want, and be able to respond...would be a reason why customers would bank with us, or employees would choose to work with us,"[22] explains Erica McIntire, Senior Vice President and Director of Marketing Communications at Vectra Bank Colorado. To achieve this competitive differentiation, the bank collects feedback from a representative sample of employees and customers at monthly intervals, and analyzes it to understand and improve engagement at a detailed level (e.g., by demographic groups or for individual bank branches). The success equation is simple yet powerful: "Happy Employees + Happy Customers = Revenue,"[22] notes McIntire.

For example, the bank identified the need (and has now implemented a program) to provide unexpected rewards and recognition as a consequence of the analysis of employee feedback. With customers, the bank is able to know if a problem exists with a product, route the feedback to the right person in the bank, and save the relationship. This ability to listen to customers "gives us the opportunity to build and strengthen customer relationships—fulfilling our brand promise,"[22] says McIntire.

Sustainability

Engagement is a business imperative not only because it drives the productivity and performance required by companies today, but also because it enables a consistent advantage over time due to three major factors.

1. Brand. The experience that a customer has with a company's employees is highly influential in a repeat decision purchase, to such a large extent that "employees are your brand."[23] In fact, 51 percent of consumers report that "outstanding service" is the number one reason they continue to do business with a company, and 80 percent state that they will *never* buy again from a company after a negative experience.[24]

2. Strategy. The primary reason why CEOs fail isn't because of a flawed business strategy, but because of bad execution of their strategy.[25] Quite simply, engaged employees will make or break that execution.[6]

3. Human capital. In the next 14 years, it is expected that the demand for talented 35- to 45-year-old employees will grow by 25 percent while the supply declines 15 percent,[26] escalating the "war for talent." Even today, 75 percent of executives say that their companies don't have enough talent.[26] Under these circumstances, retaining the best and the brightest assumes a heightened level of importance, an outcome facilitated through engagement. In fact, engaged employees are 87 percent less likely to depart their employer.[6]

Challenges

Despite the clear business imperative for engagement, difficulties remain.

Few employees are engaged. Only about a third (29 percent) of employees are fully engaged, while 19 percent are disengaged.[14] Unfortunately, it is not the disengaged who are leaving companies—it is those employees with average levels of engagement, resulting in the "quit & stay" phenomenon in which a disengaged employee mentally departs but physically lingers.[27]

Few companies are taking action. Only about 27 percent of organizations around the globe have a formal, dedicated program to increase employee engagement and, for 19 percent, it's not even on the agenda.[28]

Few companies are succeeding. Only 41 percent of companies report success in converting the measurement of employee engagement into organizational improvements.[29]

Overcoming these challenges to realize the business benefits of engagement requires a new and practical approach to the problem.

case in point

Ultradent Retains Customers and Gains ROI by Leveraging Feedback

Ultradent Products is a leading developer of high-tech dental materials, devices, and instruments, whose customers are primarily dentists. To enhance their engagement, the company is gathering feedback from both customers and employees—whenever and however the individual chooses to provide it. By making the process easy, accountable, and responsive, Ultradent Products has seen the quantity of customer feedback increase by more than 40 percent. And, by analyzing the actual and referral value of "rescued customers" (i.e., those whose complaints were addressed satisfactorily), it has secured a $2.67 million benefit over five years.[30]

When customers are submitting complaints, compliments, suggestions, or questions through the company's website, they also are given the option of responding to a brief quantitative survey that helps the company understand the state of the drivers of engagement. For example, customers may indicate their level of agreement to statements such as "Ultradent Products, Inc. makes it simple for you to do business with them" and "Ultradent Products, Inc. employs outstanding, knowledgeable employees."

Another benefit realized by Ultradent Products is the ability to ensure that answers to customers' questions are in compliance with the company's approved statements as contained in a product instruction sheet or a material safety data sheet. Because all feedback is now able to be tracked, there exists an audit trail—and, if a reply needs to be clarified, a manager has the opportunity to followup with a customer to ensure that the right information has been provided.

"We are pleased as punch,"[31] says Melanie Jones, eCommerce Manager at Ultradent Products, Inc. "We are convinced that through our feedback and engagement efforts, we are taking those so-so—or disengaged—customers and strengthening their emotional ties to Ultradent.

Today's Practical Solution for Tomorrow's Profitable Success

Winning with engagement necessitates a *practical* approach: one that is founded upon an understanding of the (1) "engagement chain," (2) the data to be collected and analyzed, and (3) the technology that makes it cost-effective and workable. "If the new battleground of business is the strategic focus upon enhancing employee and customer engagement," notes Cottle, "then the tactical weapons must be pragmatic. It is not enough to conceptually understand what directionally needs to be done—businesses must be provided with concrete and specific guidance. Today, fortunately, this is completely feasible."

Engagement chain

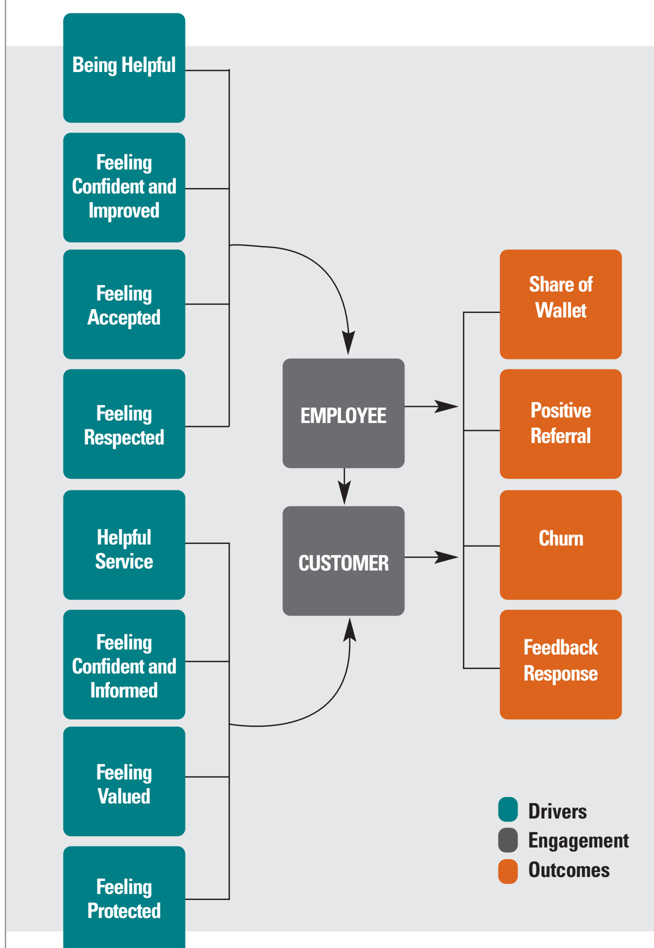
Engagement resides in the middle of a causal and temporal chain of events, preceded by drivers and followed by business outcomes (see Figure 4).

Making it real begins with the drivers of engagement—namely, those areas of the employee and customer experience that, if improved, will directly lead to increases in engagement. "Through rigorous academic and scientific inquiry," explains LaMalfa, "an unmanageable universe of possible drivers has now been narrowed down to an *actionable* set of four each for employees and customers." With customers, for example, these drivers are (1) "helpful service," achieved through superior delivery of the basic day-to-services that meet a customer's needs; (2) "feeling confident and informed," reflecting the customer's perception about the quality, relevance, and timeliness of communications received; (3) "feeling valued," capturing the customer's emotional evaluation of whether interactions are friendly and welcoming; and (4) "feeling protected," representing the customer's assessment of the trustworthiness of the company. A company's unique driver levels can be quantified through customer responses to brief and periodic questionnaires.

"Across industries and companies," notes LaMalfa, "the drivers of engagement are the same. By associating changes in the drivers with subsequent changes in engagement, it is possible to *know* which drivers have the greatest impact. And, by comparing how the drivers change in response to initiatives executed by a company (e.g., an employee training or a customer recognition program), it is possible to evaluate the effectiveness of each one."

Measuring the level of engagement is equally realistic, through the use of a customer's response to questionnaire items that gauge her or his level of satisfaction, loyalty, willingness to recommend, perception of whether the company's products are the best, and the extent to which there is excitement about the company and the direction it is going (see Figure 1 on page 3). "Based upon the data from these very specific questions, customers may be grouped into 'engaged', 'swing', and 'disengaged' categories," explains LaMalfa, "to more easily allow a company to target and track engagement initiatives. In particular, by moving even a small percent of customers from the 'swing' to the 'engaged' category, the business benefits can be considerable."[32]

Figure 4: **Engagement Chain**



Employee engagement influences customer engagement, both of which are impacted by drivers. Together, they jointly impact a variety of important business outcomes.

Source: Allegiance

Data

The data that quantify the status of the drivers and of the level of engagement arise from *solicited* feedback: brief, tightly focused questionnaires containing quantitative items (i.e., statements rated on a five-point scale) that a random sample of employees or customers complete in an anonymous manner at periodic intervals. "This is *not* 'nice-to-know' generalized information," says LaMalfa, "but specific, actionable insight that permits a company to measure and monitor the state of the drivers and of engagement. A random sample is used to avoid respondent fatigue and to control costs. Anonymity is provided to minimize bias, and thereby ensure the integrity of the results. The process is repeated frequently—'pulsed' at monthly or quarterly intervals—so that a company gets the insight that it needs to make well-reasoned adjustments to its engagement tactics promptly, before any negative impact on the business occurs."

In addition to data arising from solicited feedback, *unsolicited* feedback provides an equally important view into the landscape of engagement at a company. This form of feedback consists of complaints, compliments, suggestions, or questions initiated by either employees or customers, optionally allowing anonymity to be preserved at the discretion of the individual in order to allow the input to be honest and forthright. Unsolicited feedback may be used to capture qualitative textual commentary as well as quantitative responses. "In the past, companies have often neglected this form of feedback, because of the difficulties of dealing with it internally," says LaMalfa. "The difference is that now, with the overlay of a robust case management system onto the process, the feedback is categorized and automatically routed to the appropriate individual inside the company."

Case management capabilities also allow the company to dialog through email with the employee or customer providing the feedback, while still maintaining the anonymity of the individual. This is accomplished by using technology that serves as an intermediary between the two parties, and substitutes and maintains a random identifier for the individual. "This breakthrough allows a customer or employee to be anonymous," explains LaMalfa, "but also allows the company to respond to the individual quickly and with accountability. The system provides an alert when the person inside the company who receives and owns the feedback doesn't respond, and also automatically sends the customer a survey at the end of the process to gauge her or his level of satisfaction with the interaction."

Technology

"Businesses intuitively understand engagement and its importance, but it is technology that allows the strategy to become a tactical opportunity by overcoming obstacles that they would otherwise encounter," explains Cottle. Making engagement a practical reality primarily necessitates having the capability to deploy, collect, and centralize both solicited and unsolicited feedback; to support robust case management, to add accountability and transparency to how feedback is utilized; and to analyze and report upon the information, to ensure its visibility and actionability within the company.

Today's practical solution for tomorrow's profitable success with engagement is all about simplicity *and* sophistication. How engagement is viewed and quantified, how data are collected and analyzed, how the technology works—each facet of the solution must be straightforward and easy to use, yet must also be based upon the most recent and thorough understanding of the discipline of engagement. Those are the things that are truly different now and that will allow a company to move engagement from a conceptual notion to a concrete opportunity that actually delivers results.

Conclusion

It's time to truly think about engagement strategically, and recognize that it is the new business imperative that will drive competitive advantage. It's time to recommit to making it happen in your company—not haphazardly, but systematically and with an urgent dedication. And, most importantly, it's time to get started.

Engagement can be measured. The drivers that enhance engagement are known. The linkage from engagement to better employee and customer productivity, better financial performance, and better sustainability of those advantages over time are documented. The technology exists to enable it. All that remains is for executive leadership to step out of the shadows and sincerely state that engaged employees and engaged customers really do impact the business—not as an ephemeral and ethereal slogan, but as an actual business imperative. ■

"The link between employee engagement, customer engagement, and profits is real—and it's taking center stage in 21st century business."

—Adam Edmunds, CEO of Allegiance

Q&A with Don Peppers

Customer-Focused Business Strategy Leader

Don Peppers, Founding Partner, Peppers & Rogers Group, responds to a series of questions about engagement, and through his answers it becomes clear that engagement with employees and customers is a critical necessity in today's business environment.

What is the single most important element necessary to build and sustain engagement?

Quite simply, it is trust. Engagement implies trust and you can't have authentic engagement in the absence of a trusting relationship, one that possesses both character (the right intent) as well as competence (the ability to do the right thing). Employees and customers may forgive honest mistakes, but they will never forgive dishonesty.

According to recent research by the Economist Intelligence Unit, business executives from around the globe report that the number one factor that most influences the purchase decisions of customers is trust.[10] And, even when controlling for customer satisfaction and customer loyalty, trusting a company's leaders to behave with fairness and integrity is closely associated with a firm's total income.[33]

Does engagement matter more now than ever?

Absolutely. The speed of business and of technology has increased dramatically in recent years. It's difficult for a company to maintain a marketplace lead through product innovations for long, since products are perceived by customers as commodities with increasing rapidity. In contrast to these and other short-lived business advantages, engagement is a much more durable asset.

Also consider that today a company's reputation has the potential to be impacted quite quickly through postings on Internet communities and blogs. Employees and customers are now talking among themselves in public forums in a way that was previously impossible. This has escalated the importance of engagement, because we now know that a corporation's reputation helps to create value.[34]

What obstacles are hindering companies from successfully engaging their employees and customers?

The single biggest obstacle involves the realization of the importance of acting in the customer's best interest. This is a basis for competition that is diametrically different than found within a typical product-focused organization. A product marketing organization will focus on one product at a time and will try to sell it to as many customers as possible. In contrast, a customer view focuses on one customer at a time and tries to sell as many products as possible over the lifetime of that customer's relationship with the company. If there is no one in the organization responsible for representing the customer's point of view, it will be difficult to come to grips with the importance of engagement.

> **"To earn your customers' trust, first earn your employees' trust."[35]**
>
> —Don Peppers and Martha Rogers, Ph.D.

Another key obstacle is the attitude or culture within the company. Many companies claim that they are customer-centric, but if they pay their people to sell products rather than compensating them for engaging customers, then that is what will occur.

A third roadblock hindering advancement toward higher levels of engagement is the short-term orientation of many companies, especially those in which the product marketing mantra has gone to the heart of the corporate culture. An important (but neglected) difference between products and employees or customers is that people have memories. How you treat them today will impact their productivity and performance tomorrow. Establishing a persuasive perspective that a business is better served if it always acts in the interests of its employees and customers is easily said but extremely hard to do, because it requires balancing short-term versus long-term interests.

What is the role of employee engagement in driving customer engagement?

A strong relationship between employee engagement and customer engagement can now be demonstrated, and that relationship will only get stronger. As the speed of change increases, all product businesses are becoming service businesses, because they must ensure that customers have excellent experiences with their products. That cannot and will not happen unless employees are engaged.

Ten Takeaways to Get Going

Successfully enhancing both employee and customer engagement is possible and practical, if the following key principles are followed.

1. Do the basics. Enterprise efforts to build engagement must be built on a solid foundation, including a continuing commitment to satisfying both employees and customers. These efforts must also be championed by senior leadership, to demonstrate their importance and their value to the company.

2. Listen to learn. Empowering employees and customers to provide feedback is essential to any organization that wishes to maintain line-of-sight visibility into its engagement landscape. Providing an easy-to-use process to submit feedback—and responding in a timely manner to each individual personally—enhances the quantity and quality of feedback.

3. Measure and monitor. Quantify employee engagement and customer engagement using proven and scientific metrics, and use them to "pulse" a representative sample regularly to detect changes and to view trends.

4. Demonstrate value. Because the business case for engagement will need to be continually updated, collect the necessary data to demonstrate a linkage between engagement and business outcomes—and to show that engagement is in fact a leading indicator of results.

5. Improve the drivers. Identify, quantify, and establish initiatives to positively impact the drivers of engagement. Analyze the association between the drivers and the levels of observed engagement in order to prioritize and justify expenditures.

6. Move the "swing" group. Those employees and customers who are between "engaged" and "disengaged" represent a key opportunity for leverage. Test and deploy initiatives designed to move them up the engagement continuum in order to enhance business results.

7. Leverage technology. An enterprisewide view of engagement over time requires enabling technology that supports a centralized store for ease of access and reporting, information collection mechanisms to gather solicited and unsolicited feedback (both qualitative and quantitative), dashboards to easily summarize and display that information, and case management capabilities to allow the organization to react quickly and personally to the individuals providing the information.

8. Exploit foresight. Reporting or hindsight is good, analysis or insight is better, but predictive analytics or foresight is best, because it allows a company to anticipate and act upon problems before they occur (or leverage forthcoming opportunities more fully). Apply predictive analytics continually to the longitudinal data surrounding the drivers of engagement, the engagement indices themselves, and the business outcomes in order to optimize initiatives.

9. Engage employees to engage customers. Treat employees the way you want them to treat customers. Engaging employees is simply the most effective strategy to engage customers. Additionally, extend some of the tools and techniques that your company already has in place for its best customers more broadly, and add customer portfolio managers who look after the interests of needs-based groups (e.g., "busy mothers") and who serve as their internal advocate.

10. Don't just think—act. Target segments of employees and customers with new initiatives designed to enhance engagement, based upon receiving and analyzing their feedback, and coordinate and consolidate all existing engagement activities for maximum benefit.

"You have to treat your employees like customers. When you treat them right, then they will treat your outside customers right. That has been a powerful competitive weapon for us."[36]

—Herb Kelleher, Co-Founder and Former Chairman and CEO of Southwest Airlines

About Allegiance

Allegiance, Inc. offers advanced technology and services to help companies capitalize on the business opportunity of engagement. The Allegiance Engage platform is a suite of web-and phone-based solutions joined with education and best practices consulting that allow companies to measure and manage customer and employee engagement across the enterprise. The components of the Engage platform are customizable to each company's needs and offer management tools, predictive analytics, and professional services to help link employee and customer engagement to real business outcomes. Allegiance serves customers of all sizes across a variety of industries. Allegiance is a privately owned company based in South Jordan, Utah.

For more information about Allegiance, visit www.allegiance.com.

About the Author

With over 15 years of marketing experience and advanced study in cognitive psychology, research methodology, and statistics, Thomas Lacki, Ph.D., is privileged to contribute to the creation of higher value solutions through best thinking for the clients of Peppers & Rogers Group. In the role of Senior Advisor, 1to1 Faculty, he leverages his own expertise in understanding individuals behaviorally and analytically to achieve measurable relationship marketing results today, and to elevate the practice of relationship marketing tomorrow. Tom has shared his insights with conference audiences throughout the world, has published research about CRM, and serves on the editorial board of an international marketing journal.

About Peppers & Rogers Group

Peppers & Rogers Group is dedicated to helping its clients improve business performance by acquiring, retaining, and growing profitable customers. As products become commodities and globalization picks up speed, customers have become the scarcest resource in business. They hold the keys to higher profit today and stronger enterprise value tomorrow. We help clients achieve these goals by building the right relationships with the right customers over the right channels.

We earn our keep by solving the business problems of our clients. By delivering a superior 1to1 Strategy, we remove the operational and organizational barriers that stand in the way of profitable customer relationships. We show clients where to focus customer-facing resources to improve the performance of their marketing, sales and service initiatives.

For more information, visit www.peppersandrogers.com

Footnotes

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