



**Loyalty is Dead.  
Long Live Engagement**

**by Curtis N. Bingham**

**CHIEF CUSTOMER OFFICER  
COUNCIL**

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## Loyalty is Dead. Long Live Engagement

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*Curtis Bingham is the recognized authority on chief customer officers and the first to promote this role as a catalyst for competitive advantage. He is the creator of the CCO Roadmap, a groundbreaking work containing 100+ critical strategies essential for customer centricity. As an international speaker, author, and consultant, Curtis is passionate about creating customer strategy to sustainably grow revenue, profit, and loyalty.*

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Customer loyalty is dead. Long live customer engagement. Loyalty is an emotion notoriously difficult to measure, typically only by proxy, such as via surveys that capture the stated intention to recommend or repurchase. But it is tricky at best to overlay stated intent on actual behavior, which can be very different. Consequently, loyalty as a business metric is often misleading and worse: difficult to correlate with other business management metrics used by executives to assess strategic decisions. This, in turn, makes loyalty problematic for justifying increased resources and credibility among customer executives.

Long live customer engagement. Customer engagement is an effective leading indicator of loyalty and profitability. It is easier to measure, easier to influence, and more strongly correlated with revenue and profits than loyalty measures such as Net Promoter (NPS), Customer Loyalty Index (CLI), or others that are poor proxies for revenue. Effective engagement activities create emotional attachments that draw customers closer to protect them from competitors, encourage repurchase while lowering price sensitivity, gather insight to refine strategy, and ultimately promote evangelism.

***Customer engagement is the sum of activities that build positive connections between a company and its customers and result in greater involvement that positively impacts revenue.***

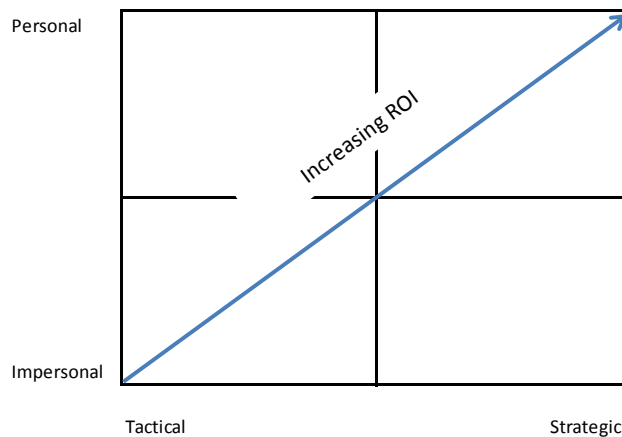
The engaged customers of one large technology company generate three times greater revenue than transactional customers of similar industry and size. And they are four percent more loyal and represent 12 percent greater share of wallet than transactional customers.

PeopleMetrics found that retail banks focusing on customer engagement realize a 13 percent revenue reward, compared to a 36 percent revenue penalty for peers with low levels of customer engagement.<sup>1</sup>

It is easy to identify engaged customers because they participate in discrete customer programs. Their transactional behaviors are easily observed and their relative profitability is easily calculated. Validated by such clear correlations with profit, customer engagement activities then clearly warrant greater priority, with a commensurate increase in funding.


Customer engagement activities might include mail or email notifications, post-purchase follow-up calls, participation in online communities, executive or industry advisory board participation, etc.

The CCO Council recently undertook an effort to characterize customer engagement and create a framework for its members to follow in adopting this new metric. Some of the key recommendations from this effort include:



1. **Investments in customer engagement activities should be made according to their impact.** The ROI of customer engagement activities can be plotted along an increasing trajectory with the least valuable (but likely necessary) activities being tactical and

<sup>1</sup> Feather, Kate, and Yvone Chun. Enhancing the Customer Experience and Engagement in Retail Banking. Philadelphia, PA: PeopleMetrics, 2008.

A white silhouette of a lighthouse on a rocky outcrop, with a beam of light shining from its lantern room across the top of the page.

impersonal and the most valuable activities being those that are both strategic and personal. Personal activities increase engagement, and strategic activities drive longer-term business value.

2. **Engage customers selectively.** The most impactful customer engagement activities are typically the most resource-intensive. Programs should therefore be carefully matched with those customers most likely to engage further.
3. **Simple measurement approaches are sufficient to realize the strategic intent.** Participation in select high-value activities and the crossing of thresholds to levels of involvement are two simple measures that can demonstrate engagement.

Engagement coupled with strategic business opportunity can provide a powerful guide to customers with greater business/revenue potential. Coupled with transactional satisfaction measures, engagement can further highlight those in need of rescue.

Customer engagement is a more easily measured and more accurate metric than the outmoded customer loyalty. It is also a powerful leading indicator that enables executive decision-making to drive increased revenue and profitability. Long live customer engagement.\*

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## About CURTIS N. BINGHAM

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## About THE CHIEF CUSTOMER OFFICER COUNCIL

The CCO Council is a powerful and intimate gathering of the world's leading customer executives from widely diverse industries. The Council helps executives achieve objectives faster and more easily by leveraging best practices. It helps validate and refine strategies and initiatives to avoid experimenting at customer expense. Membership is by invitation only, and purposefully cross-pollinated with the most forward-thinking companies, large and small, so as to help customer executives deliver solid, customer-centric business results. For more information, email [info@ccocouncil.org](mailto:info@ccocouncil.org) or call 978-226-8675.



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