Linking Engagement to Profitability

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It's almost become a daily mantra- 'Marketing is expected to drive business growth and revenues.'

The real challenge is actually developing and deploying the strategies, programs and tactics that will achieve these. For example, marketers are exploring various combinations of channels in order to identify the best mix to impact customer acquisition and retention.

Many marketing professionals believe that driving deeper engagement across the ecosystems - customers, channel partners, direct sales and employees- is the key to achieving and even accelerating customer acquisition and retention.

The recent focus on engagement is establishing engagement as a key marketing performance indicator. However, measuring engagement is difficult because for several reasons. First, there isn't a standard definition of engagement. Second, there is the potential for a slew of metrics for measuring it.

Some marketers define engagement as simply a prospective customer's response to a call to action. Others believe engagement must include an element of advocacy. If you want to measure engagement, one of the first questions to answer is whether your metrics will be attitude or behavior based.

Attitudinal metrics are derived from using research techniques to understand how people embrace a brand, recommend, or perceive a product or company. Attitudinal metrics are often difficult to link directly to business results such as profit. Therefore we recommend including behavioral metrics for measuring engagement. It is typically easier to capture and track behavioral measurements.

The research suggests that meaningful changes in behaviors are indicators of changes in engagement. But not all types of behaviors are profitable. The challenge then becomes which behaviors to track and measure that are linked to profitability. For example, someone browsing your store to do price checking or product specification research but then purchasing the product elsewhere is not profitable for your company.   It is also possible that there comes a point in time when you've optimized engagement as much as possible and additional investment to increase engagement will not improve the return.

It's probably not realistic to have just one behavioral measure as the basis of your engagement metric. Too many attributes affect engagement. This means you need to be able to identify all the behaviors that are indicative of engagement and then determine which ones or a combination affect profitability. For example, tracking how many times a person comes to your site and downloads something may indicate engagement. But what if this person never makes a purchase?

While you may have created engagement, you have not created consumption, and the investment associated with creating engagement is not profitable. In fact, you may want to consider whether this is a behavior you want to continue to encourage with people sharing the characteristics of this person.

The same is true for channel partners who may sell a tremendous amount of one of your products. They are engaged. But what if they make these sales at the expense of up-selling higher margin products or services? This is why it is important to selecting the behaviors that reflect engagement that have the greatest impact on profitability.

Even though there are challenges associated with defining and measuring engagement, our discipline has concluded that engagement is a critical measure. The bottom line deploy these three steps if you want to use engagement as a metric.

1. Identify behaviorally based metrics associated with engagement
2. Consider the impact of each behavior on profitability (if possible create a model)
3. Select two-three behavioral measures to create your engagement metric

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