

Customer Engagement – The Key to a Sustainable Future

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A sustainable future is what every business must aim for if it has any chance of success. Whereas profits are part of this scenario, they are not the only requirement for long term success. This article argues that ideas such as non-transactional customer engagement, and customers becoming co-creators of brand identity and community, are among the emerging consumer roles necessary in ensuring sustainability.

Profits were the professed points of pursuit for businesses, until the global financial crisis exposed the soft underbelly of the business ecosystem. The GFC left vast business empires falling apart in a cloud of excessive (and questionable) business practices. It was ironic that the excesses of businesses were incurred at the expense of customers whose interests the businesses supposedly intended to protect.

While the call for sustainability has been around for ages, for all stakeholders to be taken along in pursuit of universal advancement and wellbeing, it was only in 1970 that the first earth day was observed, calling upon students to raise their voices for environmental causes, ultimately culminating in the UN sustainable development goals (SDGs). Now, the global business community is essentially at a tipping point, with the need to take decisive action stronger than ever – the European Union has just struck a deal that would effectively ban the manufacture of petrol and diesel cars by 2035.

As business strategy has evolved over the years from single-minded profitability to a more holistic approach towards sustainability, the need for businesses to reinvent themselves is urgent. This calls for a different approach to conducting business, with the customer at the core of sustainable business practices. A paradigm shift towards engaging with customers – from the traditional, transactional approach to one of co-creation and learning – could pave the way to incorporating sustainability into the DNA of businesses. The journey towards incorporating sustainability into the core of business may well lie in embracing customer engagement through a four-step process, as outlined here.

Step 1: From transactional to non-transactional customer engagement

Businesses constantly endeavour to engage with their customers – it is an open secret that an engaged customer would be loyal to the brand and would actively recommend products and services to others. Yet, businesses have struggled to crack the code towards customer engagement. The reasons are simple – customer engagement was considered chiefly transactional, with businesses obsessed over what

drives consumer behaviour, in order to predict such behaviour. Customer engagement was chiefly transactional – interactions with customers were typically restricted to one-off events with not much experiential elements built around such transactions.

At best, businesses tended to be limited in their clairvoyance to 'long-life customers' as opposed to their short-life counterparts. For instance, the 80/20 rule would dictate that businesses prioritise their engagement with 20 percent of their customers who could account for 80 percent of their profitability, and vice versa. However, this approach is still transactional, with the long-term orientation being defined by profitability alone.

The inherent affinity that businesses tend to exhibit towards transactional customer engagement is that it leads to immediate cash flow for the firm, while non-transactional customer engagement does not necessarily result in immediate monetary benefits. As customers interact socially with one another and with firms, customer behaviour becomes increasingly non-transactional in their interactions with firms. Non-transactional customer engagement goes beyond immediate cash flow considerations alone and calls for concepts such as 'word-of-mouth', or 'customer lifetime value', to be taken into account.

However, in order for businesses to engage with customers in non-transactional realms, they need to pursue strategies that deliberately steer non-transactional behaviour by customers. The core processes in customer engagement were identified as interactive experiences between the engagement subject (the customer), and the engagement object (the service provider or the brand). The different components of customer engagement, which are cognitive, emotional, and behavioural activities in relation to the brand, should be part of a comprehensive approach to customer engagement.

In essence, organisations need to enhance customers' engrossment in the brand (cognitive), and make them emotionally involved in it in order to focus their energy on brand-related activities. For instance, IKEA's augmented reality (AR) app would let customers select a piece of furniture and point it at a place in their homes where they would like to have it placed, and they could view the furniture virtually placed in their home, confirming its fit – an example of how customers could be engaged on cognitive, emotional and behavioural levels.

Step 2: From customers to co-creators

To engage the customer cognitively, emotionally and behaviourally is just the starting point. Customer engagement is a composite of sub-processes such as learning, sharing, advocating, socializing and co-developing. The onset of social media meant that customers searched for information on social media, apart from search engines, which gave them official information as well as communication from an interactive environment. Beyond information seeking, customers also engaged in active learning.

Customers with high learning motivation interacted with others with similar learning motivation, were satisfied in a social media business community, exhibited higher levels of engagement, and engaged in value co-creating activities, resulting in possible altruistic motivations. Businesses that understand how customers learn tend to be able to identify hidden customer needs and also innovate in terms of processes that engage with customers in order to co-create.

Step 3: From co-creators to brand communities

The next step in deliberately steering non-transactional customer engagement is to facilitate co-creation as a community. A brand community is a non-geographically bound specialised community driven by a structured set of social relations among a brand's admirers. Brand communities are characterised by shared consciousness among its members, a common set of rituals, and a sense of moral responsibility. They offer customers with opportunities to learn, exchange information and also cultivate peer learning, all of which could turn customers from passive recipients of information into active creators and proponents of knowledge.

Brand communities helped Harley Davidson revive the brand from the edge of extinction in the early 1980s to becoming an iconic global brand to reckon with – the company leveraged the brotherhood (and sisterhood) of its riders, bound by a shared ethos. Harley Davidson made structural changes to its business to revolve around its brand communities, going beyond mere marketing initiatives for its outreach.

Another organisation that leveraged the power of communities towards innovation is Procter and Gamble (P&G), the global consumer goods behemoth. P&G actively involves external stakeholders to drive sustainable innovation and productivity. While P&G has had a history of creating stellar innovations by breaking the silos across its businesses, the company broke new ground by banking on networking outside its walls for the next generation of innovations. This led to doubling of its innovation success rates even as investments in R&D as a percentage of sales fell.

There is growing emphasis on realising the power of communities towards creating sustainable solutions for the future. However, one of the hurdles that customers face in embracing sustainable living choices is the premium price that they have to pay for brands that offset their carbon footprints. For instance, while as many as 90% of Singaporeans want to lead a sustainable lifestyle, almost 70% find the premium that

comes with such choices, unaffordable. The need for brands to collaborate across the value-chain to drive down prices is readily apparent. In response, Enterprise Singapore and private partners, allocated \$2.8 million through its Sustainability Open Innovation Challenge for crowdsourcing innovative sustainability solutions.

Step 4: Sustainability, innovation and brand value – bringing it all together

The journey from transactional through non-transactional customer engagement to customer co-creation and brand communities should complete the journey that culminates in sustainability and enhanced brand value for business. By engaging with customers on cognitive, emotional and behavioural levels, by leveraging the communication and interaction among customers with high learning motivation and by powering a brand community that taps into the altruistic motivations of engaged customers, leading businesses such as Harley Davidson, Procter and Gamble and many other public and private entities such as Enterprise Singapore have shown the way forward for innovation and sustainability.

The time is not far off when the world of business must bank on sustainability as one of its core operating philosophies. As organisations embrace sustainability at their core and engage with customers in their ability to co-create, learn together as communities and realise their altruistic motivations, businesses will have found their most ardent brand ambassadors yet – their own customers. These brand ambassadors will be highly motivated, engaged and networked communities that take the message of the business out to the market, even as they mould the business, its operations, processes and strategies in ways that would make sustainability the norm. For organisations searching for their competitive edge, the key lies in achieving sustainability through customer engagement.



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