Measurement of ROI in Experiential Consumer Engagement

Debayan Roy
NITIE, Mumbai

Sandeep Duvvuru
NITIE, Mumbai

Marketers that look closely at customer lifetime value also look at speed to purchase and ask the question, "What is the monetary value of transforming this prospect into a customer sooner, rather than later?"

When it comes to experiential marketing ROI, it's about time. This is because Experiential Marketing:

- *Allows more time to be spent with stakeholders*
- *Requires less time to inspire action among participants*
- *Leads to longer relationships and advocacy that pay off over time*

So, even before a brand or product is being launched, customers are given a feel of the product and we make them either purchase it or recommend it. An effective strategy is experiential marketing, which provides cost-effective "face time" with audiences and moments of truth that lead to action and advocacy.

We endeavour to bring out the potential that the advent of 3G in Indian Telephony can provide in opening up new vistas in the field of Experiential Consumer Engagement.

This can be achieved through the development of Mobile Applications, in the following way:

- *Interactive Ads and Games that can be easily downloaded on the mobile phones by consumers*
- *Real time conferencing (audio/video) between companies and consumers over mobiles*
- *Location-based Services / Real-time Data mining from consumers*

This would not only increase the reach of companies but also the investments in marketing can be more clearly defined – like expenditure on Applications development, revenue to the telecom operators and the Consumer feedback sought real time. Consumers can also make outright purchase orders over mobile phones.

WHAT IS EXPERIENTIAL MARKETING

Developed from direct response marketing campaigns which emphasizes customer retention and satisfaction

This differs from other forms of marketing in that it recognizes the long term value of customer relationships

It extends the communication beyond intrusive advertising and sales promotional messages

The goal is to establish a connection in such a way that the consumer responds to a product offering based on both emotional and rational response levels

It continued to evolve and move forward as technology opens more collaborative and social communication channels

Experiential Marketing is a broadly recognized, widely-implemented strategy for managing and nurturing a company's interactions with clients and sales prospects

It also involves using technology to, organize, synchronize business processes and most importantly, automate those marketing and communication activities on concrete marketing sequences that could run in autopilot

The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service.

Once simply a label for a category of software tools, today, it generally denotes a company-wide business strategy embracing all client-facing departments and even beyond.

When an implementation is effective, people, processes, and technology work in synergy to increase profitability, and reduce operational costs.

Progression of Experiential Marketing

Initial : Experiential Marketing can be applied when there are competitive product alternatives for customers to choose from

Idea : Over the decades, attempts have been made to broaden the scope of marketing, Experiential marketing being one of these attempts.

Future : Marketers can personalize documents by any information contained in their databases, including name, address, demographics, purchase history, and dozens (or even hundreds) of other variables.

Scope of Experiential Marketing

The marketing mix approach is too limited to provide a usable framework for assessing and developing customer relationships

The Experiential marketing has focus is on customers, relationships and interaction over time, rather than markets and products.

In contrast, experiential marketing is cross-functional marketing. It is organized around processes that involve all aspects of the organization

Experiential marketing relationship management in recognition of the fact that it involves much more than that which is normally included in marketing

APPROACHES

Satisfaction

Relies upon the communication and acquisition of consumer requirements solely from existing customers in a mutually beneficial exchange usually involving permission for contact by the customer through an "opt-in" system.

With particular relevance to customer satisfaction the relative price and quality of goods and services produced or sold through a company alongside customer service generally determine the amount of sales relative to that of competing companies.

Retention

The retention of customers through varying means and practices to ensure repeated trade from pre-existing customers by satisfying requirements above those of competing companies through a mutually beneficial Experience.

Maximizing profit and counteracting the "leaky bucket theory of business" in which new customers gained in older direct marketing oriented businesses were at the expense of or coincided with the loss of older customers.

According to Buchanan and Gilles, the increased profitability associated with customer retention efforts occurs because of several factors that occur once a relationship has been established with a customer:

The cost of acquisition occurs only at the beginning of a relationship, so the longer the relationship, the lower the amortized cost.

Account maintenance costs decline as a percentage of total costs (or as a percentage of revenue).

Long-term customers tend to be less inclined to switch, and also tend to be fewer prices sensitive. This can result in stable unit sales volume and increases in dollar-sales volume.

Long-term customers may initiate free word of mouth promotions and referrals.

Long-term customers are more likely to purchase ancillary products and high margin supplemental products.

Customers that stay with you tend to be satisfied with the relationship and are less likely to switch to competitors, making it difficult for competitors to enter the market or gain market share.

Regular customers tend to be less expensive to service because they are familiar with the process, require less "education", and are consistent in their order placement.

Increased customer retention and loyalty makes the employees' jobs easier and more satisfying. In turn, happy employees feed back into better customer satisfaction in a virtuous circle.

Relationship ladder of customer loyalty

Groups types of customers according to their level of loyalty. The ladder's first rung consists of "prospects", that is, people that have not purchased yet but are likely to in the future. This is followed by the successive rungs of "customer", "client", "supporter", "advocate", and "partner". The relationship marketer's objective is to "help" customers get as high up the ladder as possible. This usually involves providing more personalized service and providing service quality that exceeds expectations at each step.

Customer retention efforts involve considerations such as the following:

Customer valuation - Gordon (1999) describes how to value customers and categorize them according to their financial and strategic value so that companies can decide where to invest for deeper relationships and which relationships need to be served differently or even terminated.

Customer retention measurement - Customer retention rate. This is simply the percentage of customers at the beginning of the year that is still customers by the end of the year. In accordance with this statistic, an increase in retention rate from 80% to 90% is associated with a doubling of the average life of a customer relationship from 5 to 10 years. This ratio can be used to make comparisons between products, between market segments, and over time.

Determine reasons for defection - Look for the root causes, not mere symptoms. This involves probing for details when talking to former customers. Other techniques include the analysis of customers' complaints and competitive benchmarking.

Develop and implement a corrective plan - This could involve actions to improve employee practices, using benchmarking to determine best corrective practices, visible endorsement of top management, adjustments to the company's reward and recognition systems, and the use of "recovery teams" to eliminate the causes of defections.

A technique to calculate the value to a firm of a sustained customer relationship has been developed. This calculation is typically called customer lifecycle value.

Many Experiential marketers use a team-based approach. The rationale is that the more points of contact between the organization and customer, the stronger will be the bond, and the more secure the relationship.

Measuring the ROI in Experiential Consumer Engagement

Experiential marketing can indeed be measured using various tools and techniques. While the objectives, metrics and outcomes are too diverse, there is one common factor that merits a deeper dive – and that is Time. This is because experiential:

Allows **more time** to be spent with stakeholders

Requires **less time** to inspire action among participants

Leads to **longer relationships** and advocacy that pay off over time

The time economics of experiential ROI: What it measures:

Rate of audience acquisition and retention

Speed to action and performance

Speed to purchase

Customer lifetime value

Customer referral value

More Time Spent with Stakeholders

Experiential engagement can provide a brand with an opportunity to interact with customers in a substantive and meaningful way, and a big factor driving the depth of that interaction is Time.

For their part, consumers and business customers are willing to spend a lot of time interacting with the brand if the firm (brand owner) can create an experience that engages them at the right moment, in the right place and in a manner that feels valuable and relevant to them.

Interaction with Consumers for a Newly Launched Luxury Car:

A multi-city tour engaging more than 15,000 highly qualified consumers directly. Below, an overview of the program’s “time economics”:

More time spent with consumers:

- 63% of consumers participating spent between 16 and 60 minutes learning about the car and talking to brand ambassadors about it
- 10% spent more than 60 minutes
- Time spent with the brand rose at stops involving greater levels of interactivity with the product

Less time between awareness and purchase:

- 43% of consumers arrived with little or no prior awareness of the car
- Yet 49% left the experience extremely or very likely to purchase the car in the future
- 13% were in market to purchase within three months

Long-term payoff:

- Participants were shown to have a Net Promoter Score of 49 (16 is considered average)
- 56% of participants that qualified as “passionates” (because they responded to the recommendation question with a 9 or 10), had a likelihood of creating an additional 400,000 experiential impressions through positive word of mouth

The time economics of experiential ROI:
How it Measures: