



Most Engaged
Customers | 2009

Executive Summary

Introduction

Customer loyalty and retention matter more than ever. Businesses are facing a perfect storm of reduced consumer spending and spotty customer service. Consider the following...

- U.S. consumer spending is falling sharply, by 3.1% in the third quarter of 2008, the steepest decline since 1980¹
- The American Customer Satisfaction Index (ACSI) has been on a downward path for the past 18 months²

Service-based companies have to fight harder than ever for the same dollar. Consumers are hoarding their funds, saving them for the brands and experiences that deliver great service *and* tap into their emotional needs. Companies that engage their customers are the ones surviving and growing.

The 2009 PeopleMetrics Most Engaged Customers Study examines the many facets of Customer Engagement and ranks the top-performing companies on how well they engage their customers.

This Executive Summary represents the key findings from the study. The full report can be purchased from PeopleMetrics by emailing info@people-metrics.com.

The Benefits of Engagement, and the Threats of Disengagement, are Plentiful

The good news is that higher levels of Customer Engagement have a positive impact on the behaviors you seek from your customers. The bad news is that Disengagement has the reverse effect.

Specifically, the study revealed that:

- **A fully engaged customer recommends a brand nearly 4 times more often** than does an ambivalent customer who is sitting 'on-the-fence' (on average 11 recommendations versus just 3). By contrast, an actively disengaged customer will tell, on average, 3 people to avoid a company and its services.
- 13% of fully engaged customers post to a blog or website about their positive experiences. **The actively disengaged customer is 4 times more likely than a neutral customer to post to a blog or website about their poor customer experience.**
- **A fully engaged customer visits that company's website twice as often** as an actively disengaged customer and **makes three times as many online purchases.**

Unfortunately, engaging customers is a more challenging task today than in prior years.

¹ Colvin, Geoff. "How to Manage Your Business in a Recession." *Fortune* January 19 2009: 88-93

² ACSI Quarterly Report (Q3, 2008); November 2008

It's Getting Tougher to Engage Customers

This year's study included 27 brands that were also assessed in 2008 from the following three sectors: Luxury, Retail and Casual Dining.

- On average, across these common brands, Customer Engagement declined 9 percentage points in the past 12 months (59% dropping to 50%)
- In fact, 13 of the 27 brands included in both years saw a significant drop in Customer Engagement levels during this time frame.

So Which Brands are Winning and Why?

Despite a Tumbling Economy, Luxury Still Prevails

Luxury brands like Ritz-Carlton, The Four Seasons, Cartier, Armani and Coach are among the top ten companies when it comes to Customer Engagement.

But luxury brands aren't the only ones doing well in 2009. The other half of our Top 10 list consists of companies across diverse industries and price points. Here's what all ten companies have in common...

Employee Advantage

Many of the winners in our study share a dedication to, and focus on, their employees (see box to the right for a list of the Top Ten Companies). The Ritz-Carlton is world renown for its emphasis on the 'ladies and gentlemen' within the organization.

Two other companies with a known emphasis on their employees are Costco and Wegman's. While these two organizations are seemingly very different, one positioned as a wholesale retailer and the other as a high-end grocer, both put employees firmly in the center of their service and business strategy.

Reversal of Service Failures

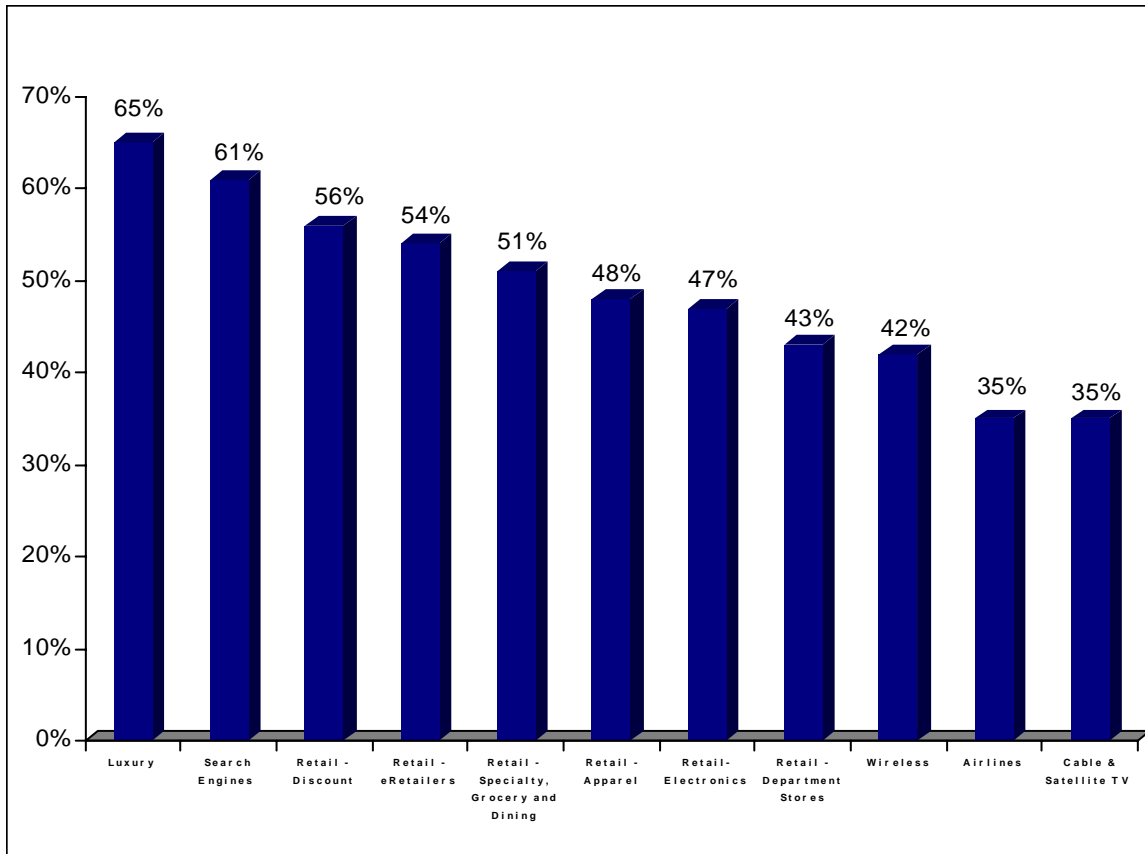
Unhappy but silent customers are a serious threat to customer retention and loyalty. PeopleMetrics study revealed that **one in four customers who experiences a problem never tells the organization about it.**

For the most part, the winning industries in our study have more reliable service delivery than do the lower performing industries. For example, just 6% of Luxury customers experienced a problem as compared to 43% of Wireless customers and 54% of Cable and Satellite TV customers.

Top 10 Companies in the Most Engaged Customers (2009) Study*

1. Ritz-Carlton
2. Google
3. The Four Seasons
4. Netflix.com
5. Cartier
6. Armani
7. Newegg.com
8. Wegman's Food Market
9. Coach
10. Costco

*Ranked by Customer Engagement Score



Of course, even Luxury retailers fail to deliver flawless service every time. So when problems do occur, **recovery is everything**. Specifically,

- Customers who feel that their problem was handled well are nearly as engaged as customers who never had a problem in the first place (49% versus 52%)

Recommended Tolerance

Finally, this year's study revealed the following:

- A customer is **more willing** to forgive a service failure if they chose that organization on the strength of a friend or family member's recommendation than if they came to the company 'cold'

Specifically, close to two in five customers who chose an organization based on a recommendation and subsequently experienced a problem are engaged, versus just one in four of those experiencing a problem with an organization that was not recommended to them.

Thus, the power of a recommendation goes well beyond generating new sales. It provides **insurance** against a less than stellar experience.

Trend Alert: Low Cost Providers Show Big Engagement Gains from 2008

Only two brands saw a significant uptick in Customer Engagement compared to their 2008 scores and both are low cost providers: **Wal-Mart** (increase of 14 points) and **RadioShack** (increase of 12 points). Consumer needs, and hence emotions, are shifting. In today's economic climate, keeping the family safe, secure and equipped with the fundamentals is more important than ever. Thus **getting greater value for one's depleting dollars is paramount**. As such, the emotional connection consumers feel towards discount brands that help them to do this appears to be on the rise.

The converse also appears to be true. **American Eagle Outfitters, J.Crew and Abercrombie & Fitch** - all big winners in 2008 - saw significant drops in Engagement for 2009. In a "back to basics" world, higher-end spending creates a sense of guilt about purchases. This may threaten the emotional connection consumers feel towards these more stylish brands.

We will have to stay tuned for the results of our 2010 Most Engaged Customers Report for a look at the long-term effects of the current economic crisis on spending habits and customer engagement.

The Full 2009 Most Engaged Customers Report

A full report is available for a fee upon request. It contains additional information, insights and best practice actions that organizations can adopt to create higher levels of Customer Engagement, such as...

- Detailed sector-specific rankings and insights for the following: Airlines, Cable & Satellite TV, eRetailers, Retailers, Luxury Providers, Wireless Providers and Search Engines
- Customer Engagement rankings for all brands within a sector
- Documented shifts in Engagement scores for the common brands included across years
- Data to demonstrate the impact Customer Engagement has on financial outcomes
- Additional insights into the strategies winning companies adopt to engage their customers
- A step-by-step process companies can follow to increase the Engagement levels of their own customer base.

About the PeopleMetrics 2009 Most Engaged Customers Study

In late 2008, PeopleMetrics conducted the second annual Most Engaged Customers study among 5,000+ consumers of 81 brands/companies across seven sectors: Airlines, Cable/Satellite TV providers, eRetailers, Luxury Hospitality and Retail Providers, Traditional Retail, Search Engines, and Wireless Phone Providers.

Partnering with Greenfield Online, PeopleMetrics captured over 20,000 ratings via online interviews across the seven sectors.

To ensure a diverse representation in our study, PeopleMetrics and Greenfield reached out to a nationally representative sample of the US population. The final distribution of customers across main groups is within +/- 10 points of the U.S. Census figures.

About PeopleMetrics

PeopleMetrics helps organizations take the best actions to engage and secure their customers and employees. Our clients range from Fortune 100 to mid-sized organizations. We support them by capturing real-time feedback on customer and employee experiences and providing the insight and tools to increase engagement. Since our inception in 2000, PeopleMetrics thought leadership, exceptional client service, and easy-to-use technology has helped hundreds of clients generate remarkable results.

For more information about PeopleMetrics services please contact info@peoplemetrics.com

Appendix – Alphabetical Listing of Companies included in the 2009 Most Engaged Customers Study

The table below shows the brands included in this year's study within sector. For more detailed results from the 2009 study please contact PeopleMetrics at 215 979-8038.

Airlines
American
Continental
Delta
Northwest
Southwest
United
USAirways
Cable and Satellite
Comcast
DirecTV
Dish
Time Warner
Luxury
Armani
Burberry
Cartier
Chanel
The Four Seasons
Gucci
Louis Vuitton
Ritz-Carlton
Tiffany's
Retail - Apparel, Accessories and Footwear
Abercrombie & Fitch
American Eagle Outfitters
Ann Taylor
Banana Republic
Chico's
Coach
Foot Locker
GUESS
J. Crew
Land's End
L.L. Bean
Nine West
Urban Outfitters
Victoria's Secret
Retail - Department Stores
Bloomingdale's
Lord & Taylor
Macy's
Neiman Marcus
Nordstrom
Saks Fifth Avenue
Retail - Discount Stores
BJ's Wholesale Club
Costco

Target
Wal-Mart
Retail - Electronics
Apple
Best Buy
Circuit City
Dell
Gamestop
RadioShack
Retail - eRetailer
1800Flowers.com
Amazon.com
eBags.com
eBay.com
FTD.com
Netflix.com
Newegg.com
Overstock.com
Zappos.com
Retail - Specialty, Grocery & Casual Dining
Barnes & Noble
Bed, Bath & Beyond
Borders
The Container Store
Crate & Barrel
IKEA
Outback Steakhouse
Pottery Barn
Restoration Hardware
Safeway
Texas Roadhouse
Wegman's
Williams-Sonoma
Search Engines
Ask.com
AOL
Google
Live Search (MSN.com)
Yahoo!
Wireless
AT&T
Sprint
T-Mobile
Verizon Wireless