

**THE MULTITASKING CONSUMER AND THE FUTURE OF MARKETING:  
HOW TO INCREASE “ENGAGEMENT”  
IN MARKETING CONSUMER ELECTRONICS**

By

Park, Jou-hyun

**THESIS**

Submitted to  
KDI School of Public Policy and Management  
In partial fulfillment of the requirements for the degree of

**MASTER OF BUSINESS ADMINISTRATION**

2006

**THE MULTITASKING CONSUMER AND THE FUTURE OF MARKETING:  
HOW TO INCREASE “ENGAGEMENT”  
IN MARKETING CONSUMER ELECTRONICS**

By

Park, Jou-hyun

**THESIS**

Submitted to  
KDI School of Public Policy and Management  
In partial fulfillment of the requirements for the degree of

**MASTER OF BUSINESS ADMINISTRATION**

2006

Professor Jung, Kwon

**THE MULTITASKING CONSUMER AND THE FUTURE OF MARKETING:  
HOW TO INCREASE “ENGAGEMENT”  
IN MARKETING CONSUMER ELECTRONICS**

By

Park, Jou-hyun

**THESIS**

Submitted to  
KDI School of Public Policy and Management  
In partial fulfillment of the requirements for the degree of

**MASTER OF BUSINESS ADMINISTRATION**

Approval as of  
Supervisor Jung, Kwon \_\_\_\_\_

2006

## **ABSTRACT**

### **THE MULTITASKING CONSUMER AND THE FUTURE OF MARKETING: HOW TO INCREASE “ENGAGEMENT” IN MARKETING CONSUMER ELECTRONICS**

By

Park, Jou-hyun

As is evidenced all over the world today, media channels are splitting and shifting around traditional boundaries, and thanks to a barrage of media appliances, consumers are free to mix and match these growing options. Such concurrent media usage by multitasking consumers makes the competition for the consumer's attention an increasingly difficult challenge.

Against this backdrop, the value structure for marketing has evolved. For marketers, the goal is not for just to pique the consumer's interest but to lay a long-term, self-reinforcing claim to the consumer's time, interest and mind. The goal for consumers is not the simple acquisition of a product and what it can do, but a bid for a larger package that comprehends the product, the buying experience and a platform upon which the product and the buyer can be lodged to receive steady support, follow-up and to utilize consumer-to-consumer information networking.

Engagement marketing embraces these developments. The empowered, multitasking consumer, media splintering, price wars and rapid product commoditization are taken within their element to be leveraged into an engagement platform. Upon the platform marketers regain part of the control they enjoyed in the days when there were a limited number of media options. The key is to bring the consumers to this platform and enfranchise them. From initial intrigue to persuasion, all the way to even consumer evangelism,

engagement marketing will work with various marketing tools – the biggest being branding – to find a marketing scheme that can successfully sell a consumer electronic product to the technology savvy, multitasking consumer of the 21<sup>st</sup> century. (A survey of a relevant demographic segment, case studies (2 cases) and diverse literature review have been utilized as methods to understand the problem, the current meaning of engagement marketing and its strategies.)

## DEDICATION

*Dedicated to my family*

## **ACKNOWLEDGEMENTS**

First and foremost, I want to thank Professor Jung, Kwon, my thesis advisor for sage advice and insight. Also, I want to convey my deep gratitude to my family; what little inspiration I have comes from them. My bosses, seniors and colleagues at the office deserve heartfelt thanks for supporting me. Finally, last but hardly the least, I thank my friends for coming through for the survey, and much more.

## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	BACKGROUND .....	5
	A. THE MULTITASKING CONSUMER .....	5
	B. THE NEW ECONOMY: SPLINTERED MEDIA OUTLETS AND INCREASING COMPETITION .....	15
	C. CASE STUDIES .....	23
	<b>Apple iPod</b> .....	<b>24</b>
	Innovation & User-friendliness .....	29
	Ingenious Marketing .....	29
	An Ecosystem of iPod Products .....	32
	<b>PlayStation v. Xbox</b> .....	<b>35</b>
III.	TO WOO THE MULTITASKING CONSUMER: “ENGAGEMENT MARKETING” .....	<b>42</b>
	A. DEFINITION OF “ENGAGEMENT” .....	44
	<b>Civic Engagement</b> .....	<b>45</b>
	<b>Employee Engagement</b> .....	<b>47</b>
	<b>Consumer Engagement</b> .....	<b>53</b>
	<b>Engagement Marketing</b> .....	<b>57</b>
	Consumer Behavior and Engagement Marketing .....	59
	Value Delivery and Engagement Marketing .....	61
	Brand Loyalty, Brand Equity .....	63
	Consumer Community: Social Organization and “Village” .....	64
	Customer Opportunity Network .....	66
	Implications for Understanding Engagement Marketing .....	69

<b>IV.</b>	<b>THE THREE STEPS OF ENGAGEMENT MARKETING .....</b>	<b>71</b>
	A. STEP 1: ENGAGEMENT .....	71
	B. STEP 2: ENLIGHTENMENT .....	77
	<b>Evaluation of Alternatives .....</b>	<b>79</b>
	<b>Purchase Decision .....</b>	<b>80</b>
	<b>Post-purchase Situations .....</b>	<b>81</b>
	C. STEP 3: ENFRANCHISEMENT .....	84
	<b>Brand Decisions .....</b>	<b>85</b>
	<b>Brand Equity .....</b>	<b>88</b>
	<b>Branding on the Internet .....</b>	<b>91</b>
	<b>Relationship Marketing v. Engagement Marketing .....</b>	<b>94</b>
	<b>The Benefits Provided in Return for Engagement .....</b>	<b>99</b>
	<b>User-Generated Content (UGC) .....</b>	<b>102</b>
	<b>Word-of-Mouth (WOM) .....</b>	<b>102</b>
<b>V.</b>	<b>CONCLUSION: Findings &amp; Recommendations .....</b>	<b>108</b>
	<b>Corporate Website as an Engagement Platform .....</b>	<b>114</b>
	<b>Emerging Media .....</b>	<b>117</b>
	<b>YouTube and UGC Sites .....</b>	<b>121</b>
	<b>Blogs, Online Gaming and Such Online Socialization .....</b>	<b>125</b>
	<b>APPENDICES .....</b>	<b>129</b>
	<b>Appendix A. Survey &amp; Findings .....</b>	<b>130</b>
	<b>Appendix B. Survey Sample .....</b>	<b>157</b>
	<b>Appendix C. PS3 v. Xbox 360 .....</b>	<b>162</b>

**BIBLIOGRAPHY ..... 163**

**Bibliography ..... 164**

## LIST OF TABLES

1. The Three Stages of Engagement Marketing	70
2. Strategic Findings and Recommendations of the Engagement Step	76
3. Strategic Findings and Recommendations of the Enlightenment Step	83
4. Table of Comparison between 3 Marketing Strategies	96
5. Strategic Findings and Recommendation of the Enfranchisement Step	107

## LIST OF FIGURES

1. Technographic Segmentation Model	8
2. Technology Attitude: Ownership and Activities	9
3. Locating Employee Engagement	49
4. IES [Engagement] Diagnostic Tool	51
5. Engagement Marketing Model	57

## I. INTRODUCTION

- The problem: A technology-intensive economy with multitasking consumers.
- The key: “Engagement”

It all began with Moore’s Law. By predicting that the transistor density of semiconductor chips would double roughly every 18 months, Moore foretold of a future that would move in a whirl of concurrent activities. This very future is unfolding before us now, affecting both lifestyles and business-styles.

Marketing is one of the areas hardest-hit by this trend. Since digital technology is closely intertwined with communication, and with communication being the foundation of marketing, the latter faces real issues in grappling with environment that is changing at the bounding rate predicted by Moore.

In a speed-oriented environment, accuracy of execution is critical; it is not only the businesses that are moving at a faster pace, but also consumers. Marketing can no longer be a random, unilateral effort that sweeps through consumer groups like a drift net: catching both target consumers and unwanted and uninterested bycatch. Business in all fields has become too competitive to afford this waste of marketing ammunition. Then how can a business cut through the exponentially increasing amount of competitive marketing messages to reach and maintain the consumer’s attention and loyalty?

The key is “engagement.” Engagement as a marketing process has three steps respectively titled, engagement, enlightenment and enfranchisement. The process is based on a platform of consumer-to-consumer (C2C) and business-to-consumer (B2C) interaction that puts a product or a brand idea into a larger context that incites the consumer’s interest and involvement. The latter two consumer reaction creates insulation for the company against media clutter and marketing overload. Effective marketing in turn assists companies in dealing with price-wars and commoditization. Engagement marketing is not just a reactive strategy but a proactive initiative that seeks to find a way for companies to leverage the challenges mounted by the new economy into opportunities.

The new economy – a generic concept used to categorize the current flux of change in the way we conduct business – is an indicator of important changes that need to be considered in planning marketing strategies. Advertising and marketing, along with the media have responded to this situation with the recognition of a concept called “engagement.” The term has been around for some time, but recently – in July 2005 – it was officially recognized by the major advertising institutions and Nielsen as a relevant idea and index that will help direct the marketing and advertising industry of the new economy (Howard, 2006).

The official working definition for the term put forth in May of 2006 by the Advertising Research Foundation (ARF) of the United States is:

Engagement is turning on a prospect to a brand idea enhanced by the surrounding context.

Engagement can be further understood as involvement “with a brand idea – the perfect storm of the right message, to the right consumer, in the right medium, at the right time – [which] can transform the passive act of seeing to the act of doing.” (Consumer Engagement Conference Brochure, 2006, p. 1)

What makes this concept even more compelling is the development of information and communication technology that multiplies the channels and forms of media and encourages consumer empowerment. This results in a habitually multitasking consumer who crams 31 hour worth of activity in a 24 hour day. It has simply become easier to conduct many activities at the same time, and compare media channels. This all spells a problem for marketers whose task is to find and hold consumer attention. Marketers and advertisers have realized that consumer attention has now become a currency that has to be earned. It does not suffice today for marketers and advertisers to simply place their message on a mass market media and consider the job done. The currency has been labeled as engagement, and it is now imperative that companies know how to earn it.

At the forefront of marketing development are the consumer electronics and the technology sector. A focus on this sector and a strategic evaluation for marketing in this sector will be important not only for the economic weight of the sector itself, but also for the implications the developments and solutions of the sector holds for the rest of the economy that is bound to follow in a similar trajectory. (John, Weiss & Dutha, 1999)

## **II. BACKGROUND**

### **A. THE MULTITASKING CONSUMER**

- An increasing majority of consumers are multitaskers.
- Multitaskers as a demographic segment can be described as high-income, technology-friendly group.
- Familiarity with technology is the more decisive factor in defining multitaskers.

First, the terminology must be clarified. In this thesis, the term “consumer” will be used to mean both consumer and customer. The two expressions can be used interchangeably, meaning that the definitions of each term shall apply to both non-exclusively: consumers will mean end users and intermediaries and vice versa for customers (Day & Montgomery, 1999).

Next, due to the fact that the majority of the literature used for this thesis is from the US, the issue of whether demographic findings based on such a regionally-limited information is pertinent to other regions – the region in consideration is the Republic of Korea – has been dealt with through a survey of the relative Korean demographic segment that is being mentioned here under the name of the “multitasking consumer.” Suffice it to say at this point that the findings from the survey have concurred with the argument and findings presented in the main body of the thesis. The detailed findings from the survey have been posted in the Appendix.

Moving on, the expression “multitasking” must be defined. The definition of multitasking in the English language is “the performance of multiple tasks at one time” (*Merriam-Webster Dictionary*, 2005). **The working definition for multitasking for this paper will more specifically refer to consumers’ simultaneous use of consumer electronics, tandem activities with regard to these electronic devices, and the simultaneous use of various media to facilitate the numerous tasks required to be accomplished at a certain given time.**

It is important to understand the multitasking consumer today as the result of a changing environment because multitasking is a phenomenon manifested in response to various developments, most notably, technology. Multitasking itself bases itself on the simultaneous tasking abilities provided by technology advancement. With this direct relationship between the multitasking consumer and technology set forth, it is time now to understand who these multitaskers are through “technographics,” or the study of technology orientation according to demographics pioneered by the consumer and marketing research firm, Forrester Research, Inc.

**First it must be reiterated that this technology induced phenomenon is not a passing trend that is shed off like an adolescent whim or youthful idiosyncrasy. It has been researched that people who learn about a particular technology in their youth remain open to further refinements in the same technology and keep up their technological inclinations and habits (Modahl, 2000).** Multitasking habit and a technology optimistic inclination

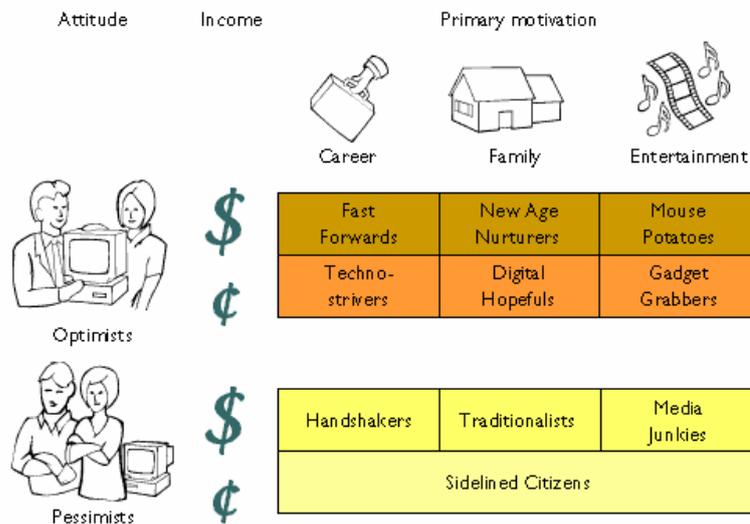
of people who were weaned on a technology-intensive culture can be considered institutional hallmarks of a development phase amongst the consumers; these phenomena are not like a seasonal hype for bell-bottoms and afro-hairstyles, but more akin to the transition from the typewriter to the word processor. Just as the baby boomers are giving way to the next generation, so are the characteristics of the major consumer sector evolving.

Technographics is a segmentation system designed by Forrester Research to determine how today's technologies are being considered, bought, and used by consumers. It has revealed a basic generational pattern: People over sixty five are overwhelmingly pessimistic about computer technology. Baby boomers, who grew up in a time when computers existed but were not part of most people's daily lives, are almost evenly divided between technology optimists and pessimists. People between the ages of twenty and twenty-five were first exposed to computers as far back as grade school and tend to be much more optimistic. Technology optimism and pessimism is a gauge of a consumer's or a group of consumer's tendency to and probability in using the benefits of technology developments, most notably multitasking abilities, splintering of media outlets and various similar consumer empowering developments (Modahl, 2000).

Technographics help categorize the various types and levels of multitaskers, thus providing clues to which consumer segment is the most important and profitable. First the y-axis is aligned according to the above-mentioned technology

attitudes, and then the x-axis is aligned according to primary motivations in the people's lives: career, family and entertainment. Thus 9 groups are created under this reasoning: Fast Forwards, New Age Nurturers, Mouse Potatoes, Techno-strivers, Digital Hopefuls, Gadget Grabbers, Handshakers, Traditionalists, Media Junkies and generic sub-group called the Sidelined Citizens.

[Figure 1. Technographics Segmentation Model]

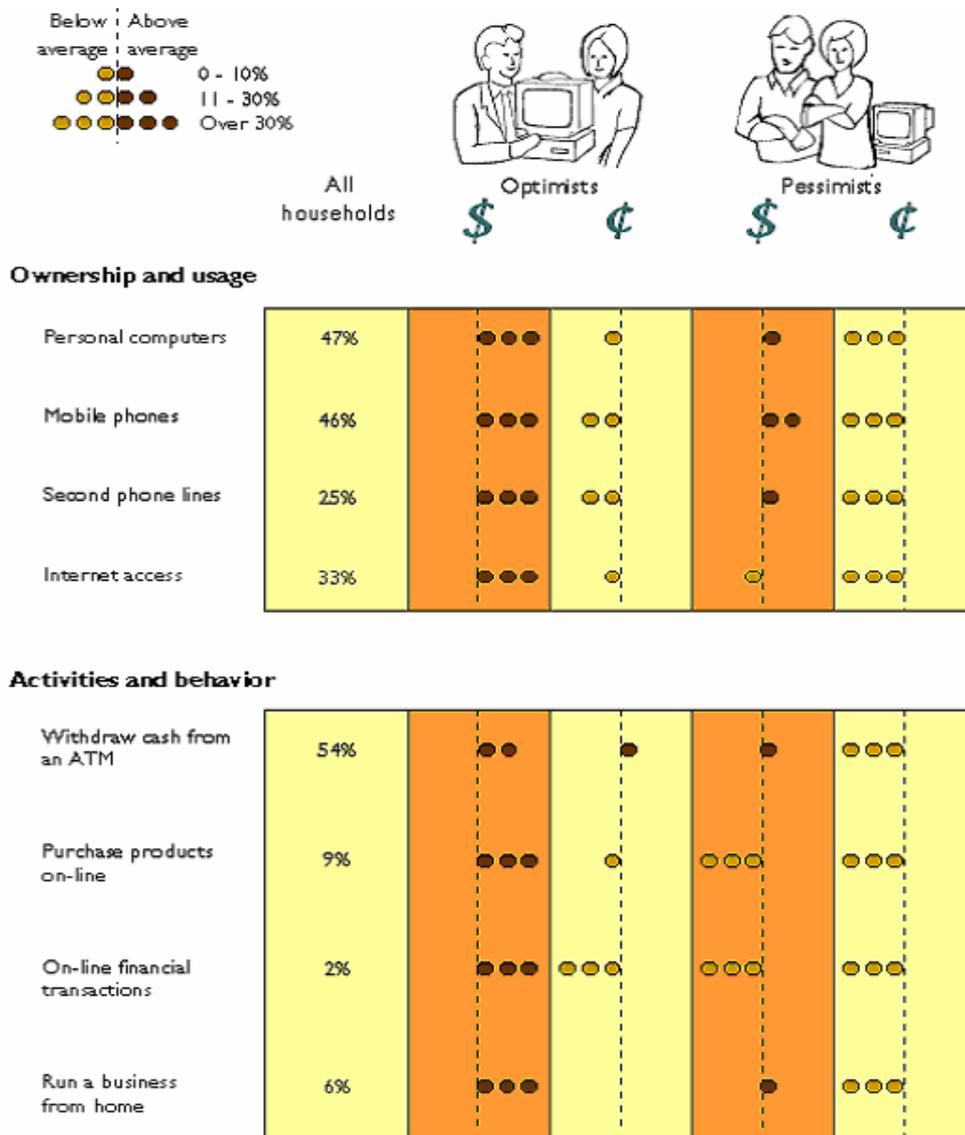


Source: Forrester Research, Inc.

At this point, two factors that can alter behavior, and ultimately attitudes, even in adulthood must be mentioned for their existence and potential provides reasoning for the necessity and potency of “engagement marketing” which bases itself on the idea that a company can manage and use to its benefit consumer-to-consumer dynamics and peer pressure. The first factor is exposure to technology at work. In places where many people use PCs at work, they are more optimistic. The second factor that can make adults more positive about technology is the behavior of their peers

(Modahl, 2000). Technology exposure and peer pressure can affect pessimists, expanding the target consumer group for businesses that depend on technology optimists for the initial market response, but also need the rest of the market – including technology pessimists – to come aboard to make a truly viable business plan.

[Figure 2. Technology Attitude: Ownership and Activities]



Data compiled in 1999

(Source: Forrester Research, Inc.)

**Multitasking as a function is anchored by a simultaneous execution of various tasks (i.e. y-axis of Figure 2) and income (i.e. x-axis for Figure 2).**

**Multitaskers as a demographic phenomenon show significant concentration in categories defined by income and ease of technology use.**

With technology as the instigator of multitasking, a difference of the level of technology-related activities finalizes the demographic markings of today's growing target consumer group, the multitaskers:

- Fast Forwards: High-income optimists motivated by career needs.
- New Age Nurturers: High-income optimists motivated by family needs
- Mouse Potatoes: High-income optimists motivated by entertainment needs

**According to Forrester Research, these three groups also represent the early-adopter group. This is important to take note because reaching and persuading early adopters is crucial in today's economy.** In an ever increasing trend, consumers are most influenced by non-commercial channels, or word-of-mouth such as references from acquaintances, family, or even strangers' opinions on blogs, etc. And these reference providers are very often early-adopters (Howard, 2006). And how does one find these early adopters? Businesses that want to reach early adopters can count on them being on the Internet, and also comparatively more motivated by the need for entertainment, social events, activity and interaction (Modahl, 2000).

Fast forwards are far more likely than most people to have every other kind of digital technology as well, including cell phones, pagers, second phone lines, and in home fax machines, etc. They possess not only more digital equipment than the rest of us; they are willing to use it. Consequently, television is evermore becoming a costly way to reach Fast Forwards. Fast Forwards are especially important to industries such as travel, financial services, home office equipment, and computer – or communication-related gear because their career interests put them at the very center of the multitasking group (Modahl, 2000).

The best way to reach Fast Forwards on the Web is to advertise on the search sites and on the Web sites of noncompetitors that serve the same group. Fast Forwards represent the best first opportunity for electronic commerce sites - especially in the areas of travel, financial services and new communications or computer equipment. They will be among the first buyers of every type of product on-line.

Mouse Potatoes are maddeningly active, scarcely spending more than a few minutes on any one task. Mouse Potatoes love to watch TV or listen to the radio while they're online, and some report that they even read magazines while they wait for a Web page to load. Because of their high activity level, Mouse Potatoes often buy on impulse. Mouse potatoes like to buy books, CDs, videos, fashion clothing, consumer electronics and tickets online. These categories offer plenty of choices and many items that appeal because they're "hot." Buying the latest music, gadgets and gear confers a kind of status that Mouse Potatoes seek. That

said, Mouse Potatoes can be counted on to seek out frequent updates on any kind of content that changes often such as market news, stock quotes, sports scores, the weather (Modahl, 2000).

Fast Forwards are ego-driven, and Mouse Potatoes just want to have fun. New Age nurturers are high-income optimists motivated by family needs and often showing great desire to share information concerning family affairs with peers (Modahl, 2000).

Not mentioned enough as one of the major 3 technographics groups making up the majority of the multitasking consumer set is the young, low-income optimists pursue many activities that other consumer shun. More than any other Technographics group, these consumers love to chat on-line and create personal Web pages. These traits, along with the more obvious ones of the former 3 groups, by themselves and in concert help the understanding and prediction of the overall consumer traits of the 21<sup>st</sup> century.

The diverse composition of the multitasking consumer has been thus revealed. This directs us to a more effective path of pursuing and engaging them. But inevitably, the use of technographics and the focus on multitaskers might have sidelined the larger, all-generation mainstream. For instance, the low-income technology optimists have initially been marginalized due to their weak purchasing power. But some of their distinctive characteristics are also fueling a

lot of the dynamics in today's economy. For instance, they invest the most time on chatting on-line and creating personal web-pages. But their lack of buying power notwithstanding such habits of this young, up and coming group is driving a lot of traffic to interactive and non-traditional media, and such dynamics are slowly being felt by the overall economy and media environment (Rubin & Bluestein, 1999).

**In simple business logic, at the end of the day, business success all depends on whether or not the second wave of consumers – the mainstream – responds and follows after the early adopters. Engagement marketing, as much as it espouses the courting of wired Fast Forwards or Mouse Potatoes, it must also have a plan to bring on board the majority of the consumers that might or might not share the tastes of the techno-optimists and multitaskers. This is where the link between online and offline is important.** Engagement marketing needs to solve how consumer behavior can change as a result of Internet technology, and the company itself has to validate the engagement.

The multitasking consumer commands great interest not only because of their increasing presence but also because these increasingly time-deprived people are now owners to incredibly powerful tool of consumer empowerment. The very technology that allowed multitasking has split media channels and in the process also gave consumer the ability to flip and surf through the burgeoning media

options. In this confusing overlapping and cannibalization of media, the Internet has become both the perpetrator and apparent regulator. The Internet is offering a platform upon which certain control can be reclaimed by the corporate sector, and more importantly, provide a more predictable media matrix that can create and add value to products and services that can all build up to the critical competitive edge that is invaluable to the price ware-prone consumer electronics sector.

In today's so-called "new economy," users are more likely to use the Internet for entertainment and socializing – which is important hints into the minds of the target consumers for most of today's consumer electronics because these are what the engagement platforms must provide (and this differentiates w/ relationship marketing). Internet users in general place great value on information and tend to respond negatively to messages aimed only at selling – which negated the one-on-one (still) sales promoting approach of relationship marketing and puts more weight on engagement marketing focused on experience, etc. They decide what marketing information they will receive about which products and services and under what conditions (Kotler & Keller, 2006). In (on-line) marketing, the consumer, not the marketer, gives permission and controls the interaction – and engagement is about giving some control back to marketers in the form of controlling the environment around the consumers.

## **B. The New Economy: Splintered Media Outlets & Increasing Competition**

- The media of the “new economy” is about interaction, co-creation and hydra-like channel multiplication.
- Increase in choice and technology development has found a point of vulnerability in the armor of the empowered consumer that leads to consumer “lock-in.”
- The Internet as a viable platform for “lock-in” due to its ability to support branding strategies of the new economy.

The multitasking consumer is a phenomenon brought forth by something that is often called the advent of the “new economy.” What exactly is the “new economy?” Philip Kotler explains that the new economy is a generic term for most of the trends of today’s economy: globalization, nanosecond pace, hyper-competition, disruptive technologies, empowered consumers, etc. The aspect of the new economy that has strategic importance, Kotler points out, is that it is based on the digital revolution and the management of information, which allows greater power of differentiation, customization and personalization. Indeed, the management of information is important because thanks to a large part to the digital revolution the amount of information going around has increased exponentially, and so have the formats and vehicles of the information. Media have splintered and evolved. On top of the traditional media such as the radio, TV, newspaper, etc. a host of online media such as blogs, newsgroups, online

communities, websites and such are steadily making their presence felt. And what's more, these online media formats facilitate the sharing and comparing of notes, opinions and experiences with products and services, making the management of consumer experience and feedback more important in the new economy.

The new economy is a market that is disruptive to the traditional concept of the economy. The following salient themes are coming to define the broad outlines of the new economy (Kotler & Keller, 2006):

- The connected knowledge economy
- Globalizing, converging, and consolidating industries
- Fragmenting and frictionless markets
- Demanding customers and consumers and their empowered behavior
- Adaptive organizations
  
- Trends of the "New Economy" (Kotler 2003)
  1. Anchoring
  2. Being alive
  3. Cashing out
  4. Clanning
  5. Cocooning
  6. Down-aging
  7. Egonomics
  8. Fantasy adventure
  9. Female think
  10. Icon toppling
  11. Mancipation
  12. 99 lives
  13. Pleasure revenge
  14. SOS (Save Our Society)
  15. Small Indulgences
  16. The vigilant customer

No matter how cliché these expressions have come to sound, the fact of the matter is that the “digital revolution” has created a “new economy.” In addition, another marker of the new economy is the graying of the boundaries between many traditional industry classes: digitalization enables product functions and customer benefits to merge. The trigger for the ensuing consolidation is some combination of (1) industry convergence, (2) globalization that broadens the scope of an industry in which competition had been primarily domestic, (3) deregulation that eliminates artificial constraints on competitors, or (4) technological discontinuity that obsoletes previous processes and technologies (Day, 1997). During consolidation, market boundaries are rearranged, protected niches are invaded, and the balance of power usually tilts toward the customer and channel member.

At the bottom of all this movement is technology. And not only is technology important in its role of ushering in the new economy, it is also pushing the technology-intensive market to the forefront.

With technology and its related fields and sectors literally at the cutting edge of economic development, Peter Drucker’s prediction of the future as a network society has become all the more relevant. Understanding the network concept is important because like all social phenomena, the idea of a network society will – and is even now – affect all aspects of human life, marketing included. When aspects of the network society are sufficiently understood, it will point out important clues to future-oriented marketing strategies.

Let us take note here that, driven by a dynamic and knowledge-rich environment, the hierarchical organizations of the twentieth century are disaggregating into a variety of network forms, including internal networks, vertical networks, intermarket networks, and opportunity networks (Achrol & Kotler, 1997).

Networks are not tolerant to traditional instruments of authority and control. Hierarchy, power, and contracts recede in managerial significance and are supplanted by rational mechanisms of governance. Network theories emphasize the normative and social structure in which exchanges are embedded as the primary determinant of behavior (Baron & Hannan, 1994). Concepts such as trust play a prominent role in network explanations. And trust and the idea of a network as serving the role of the bedrock of the majority of economic activities points towards the need for companies and the activities conducted by companies to have a strategically designed platform of trust and smooth networking, not just within the company, or between the company and the consumer, but also between the consumers themselves.

Likewise, market-relating skills, such as brand and image building, marketing communications, customer service, and loyalty programs, will become evermore important (Day & Montgomery, 1999).

**Technology of the new economy has thus empowered consumer and wreaked havoc amongst the media. But it also has created a considerable**

**point of vulnerability for consumers in that they have become more susceptible to company strategies that incorporate a system of “lock-in” on a technology platform.** Sarah Vandermerwe theorizes that consumers will be “locked-in” upon a high-tech platform because the time and monetary investment involved in learning and implementing it is a strong deterrent to any decision to change platforms – the platforms here meaning technology solutions such as those provided by IBM, HP, etc. The idea spills over in differing forms, but the core ideas of change-deterring investment and platform lock-in remain intact. For instance, instead of a technical lock-in, consumer involvement and engagement that induces time and monetary investment of its own can also lock-in consumers. Social networks, a peer-influenced life-style and a habitualized life-style are all a form of lock-in and all of these can be achieved through a well-designed and managed consumer engagement platform.

The transforming power of the new economy is of the greatest relevance for marketers. Erosion of the mass market is likely to accelerate from the combined effect of product, media and channel proliferation and the introduction of mass customization and other “sense and respond” strategies (Tapscott, 1997). The ability to target individuals, engage in a dialogue with them, and personalize an offering that meets their requirements will enable “molecular markets” to emerge. Organizations will need to learn to sense and respond to customers’ request, rather than make offers based on forecasts of what groups of customers are likely to want.

Choice processes are likely to be exercised in new ways. Consumer choice behavior is at the intersection of many converging trends. These are not new, but their joint consequences are beginning to be felt. First, consumers have many more choices, are better informed through expanded media, and have more ways to acquire their choices. They have come to expect and demand diversity. Second, for most consumers, time is increasingly scarce, so they are more willing to pay to save time and effort. (Provided by the engagement platform) This puts a premium on being able to deliver them and to provide products of quality that will rarely need after-sale attention, as well as hassle-free after-sale service.

These trends and forces are coalescing into consumers who want greater control, are less willing to be passive participants in the marketing process, and have been given more means to take control (Weinter and Brown, 1995). Consumer are showing a growing desire to bypass tradition media channels in search of better value proposition due to large part to the increasing media clutter and marketing overload that is causing selective attention and selective distortion (Sternthal & Craig, 1999).

Fiske and Hartley have outlined some general factors that influence the effectiveness of communication and strategic points for implementation of engagement:

- The greater the monopoly of the communication source over the recipient – engagement platform’s lock-in ability – the greater the recipient’s change or effect in favor of the source.

- Communication effects are greatest where the message is in line with the receiver's existing opinions, beliefs and dispositions – pre-marinated through enlightenment and enfranchisement of consumer.
- Communication can produce the most effective shifts on unfamiliar, lightly felt, peripheral issues – increased number of such 'issues' through multitasking and increased selective attention – which do not lie at the center of the recipient's value system.
- Communication is more likely to be effective where the source is believed to have expertise, high status, objectivity, or likeability, but particularly where the source has power and can be identified with – which will be achieved on the engagement platform through early adopter and reference groups.
- The social context, group, or reference group will mediate the communication and influence whether or not the communication is accepted – the role of which will be played by the engagement platform.

**These factors in mind, the Internet seems to be the most logical place to put these strategic points into action.** Yet, despite the fanfare for the Internet as the veritable next generation medium which will overthrow most traditional information dispersion formats, initial studies showed that consumers do not react as readily to the usual online advertising styles such as banners ad pop-ups as expected ("Branding on the web," 1998). But recent developments have showed that a lot of the initial disappointment had to do with problems of execution, not with an inherent lack of potential in the Internet as a vehicle for business communication and marketing efforts.

Trial and error have shown that the traditional marketing and advertising strategies do not work on the Internet. The hallowed marketing and advertising method of persuasion and the "breaking and entering" process of jumping in front

of a target consumer and entertaining them briefly in the hope that the resulting amusement may leave a deep enough impression to influence the consumer's mind during their actual consumption decision time at the counter, does not work effectively over the Internet. What works online, as Amazon.com, Yahoo, eBay, YouTube and Google have shown is that consumers respond and engage with a company's efforts when the effort entails something other than simple persuasion and argument for a product; a service, an experience should be organically positioned into the complete marketing strategy (*Selling soap without the soap operas, mass marketers seek ways to guild brand on the web*, 1998).

**A communication of the values and information pertaining directly and indirectly to a product up for promotion, the provision of an interactive platform upon which consumers can build their own sense of product value, service and brand identity – but within the compounds drawn and controlled by the company – is what drives the generation of consumers living in the new economy that is wired around the Internet and related advanced communications solutions and devices.**

## C. CASE STUDIES

- “The Media Hub”: The company that claims it wins. The hub can be physical or virtual, or a mixture of both, but the key is to successfully engage and lock-in consumers upon it.
- Engagement can be achieved on many levels: online, offline, between the consumers and the company, between consumers and consumers, between the company and its partners.
- Engagement marketing is a package deal: Successful engagement is about a self-reinforcing cycle that encompasses a choice process, a pattern of activity, a complete lifecycle.

Case studies of some of the most successful marketing strategies of today are not only real-life examples of the increasing incorporation of the engagement concept but also act as important coordinates in verifying the authenticity of the new economy’s need for engagement in marketing strategies.

The cases to be covered here will be the case of Apples iPod and the video game console war between Sony’s PlayStation and Microsoft’s Xbox. The respective elements of engagement in each case are as below:

- Apple: A clear brand concept that communicates an image of uniqueness. A savvy “ecosystem” of peripheral products that bring consumers onboard a common field of camaraderie founded upon the said values.

- PlayStation & Xbox: The current upper hand of PlayStation is usually attributed to Sony's successful design of its game console as an easily accessible platform that invites and retains more game and contents creators and consumers.
- The Common Factor: Both Apple, PlayStation and Microsoft have acknowledged directly and indirectly through their foray into the field of consumer electronics, the importance of having a "platform" or "hub" that centralizes, regulates and thus controls the consumption habits and activities of consumers through the means of music, video, gaming, etc.

Engagement marketing – as will be further elucidated – revolves around the concepts of consumer-to-consumer or peer interaction, the creation of a "platform." These concepts can be understood as the common denominator of both Apple and Sony's current success in the field of consumer electronics.

### **Apple iPod**

First and foremost a computer and software company, why would Apple jump into the hypercompetitive market of tradition consumer electronics? Besides the universal answer that there is money to be made there, the more pertinent reason is because the iPod fits right into Jobs' so-called Digital Hub strategy for the Mac. Jobs saw Apple's future and survival in its ability to claim a platform or not; a platform upon which all other Apple products and most of the activities of today's consumer will be linked. Increasingly, Apple's competitors were taking similar approaches to close out other competitors and Jobs realized that Apple needed a product that could play the role of such a platform (Schlender, 2001).

So Apple moved into the MP3 player business, and did so with great finesse and success. Since October 2004, the iPod has dominated digital music player sales in the US, with over 90% of the market for hard-drive-based players and over 70% of the market for all types of players (Marsal, 2006). Fortune magazine reported on June 27, 2005 that Apple had sold over 15 million iPods, including 5.3 million in the first quarter of that year. In countries outside the US, the iPod market share is significantly lower, mostly due to high import taxes and less ubiquitous marketing. So, flash memory or hard disk players from competitors like Creative are dominant.

A quick review of the product reveals that iPod is basically a brand of portable media players designed and marketed by Apple Computers. Devices in the iPod family are designed around a central scroll wheel and provide a simple user interface. The full-sized model stores media on a built-in hard drive, while the smaller iPod nano and iPod shuffle use flash memory. As of July 2006, the lineup consists of the 5<sup>th</sup> generation iPod with a video player. The bundled software used for transferring music, photos and videos is called iTunes. The latter is an important cause on consumer lock-in because Apple designed the iPod to work with the iTunes media library software. iTunes can automatically synchronize music playlists or entire music libraries each time an iPod connects to a host computer. The iTunes Music Store (iTMS) is an online music store run by Apple and accessed via iTunes. It was introduced on April 29, 2003 and sells individual songs relatively easily and cheaply (e.g., US\$ 0.99, EU0.99, GB 0.79). iPods are

the only portable music players that can play the purchased music, and this exclusivity has helped the store become the dominant online music service. Is Apple creating problems for itself by using FairPlay to lock users into using the iTunes Music Store. Steve Jobs has stated that Apple makes very little profit from song sales, but Apple uses the iTMS to promote iPod sales (Kahney, 2006).

In 1999, Apple iPod was initially a me-too product behind innovators and leaders like Creative and Rio. From this position, by the end of 2005, Apple took over 70% of the market. The traditional players in the field of portable music players like Sony and Panasonic were cornered in their own game as they were buffeted by Apple's strategy that combined a bit of innovation and marketing savvy. Other players like Creative and Rio on the other end of the spectrum – tech companies in essence – could not stand up to Apple's professional marketing. Rio has been forced out of business and Creative is still struggling to reclaim the game – hard drive MP3 players – it created (Prystay, 2006).

An important opening into the music market that Apple exploited was that from the late 1990s, the Internet began to take hold as a marketing vehicle for reaching some of the music industry's core customers. And with the clamp down on illegal music downloading, consumer began to turn to a legitimate digital music services. iTunes Music Store, launched in April 2003, provided one such platform (Tellis, 2006). **Here we should note the strategic importance of providing a platform upon which consumer's private and business**

**activities can occur.** The platform can also be viewed as a certain buffer against the world; something that is essentially the function of a social group, further augmenting the argument that the combination of a platform and a socialization opportunity is a powerful marketing strategy. This idea of an engagement platform fueled by peer (consumer-to-consumer) interaction will be covered later in this piece.

Then, the big question now is: Is this iPod – a sleek, multi-byte music player with iconic white ear buds – a technological marvel or the result of a marketing genius?

Michelle Zenner Kohler of Shure writes for Consumer Electronics Association quarterly column: “It [is] a combination of excellent product design, smart marketing and great timing.” In addition iPod features “an unprecedented amount of memory, simple interface and an elegant design.” Many may make intelligent guesses and predictions, but officially, the question is still pending, since the final judgment will come only when the iPod has either saturated the market or battles a worthy rival that has still to manifest itself. But in the mean time, by retracing Apple iPod’s remarkable path to its current status gives us sufficient ground for as exhaustive an evaluation of the product, its marketing techniques, the reasons for its success and future as possible. **These findings are of importance in formulating and understanding engagement marketing because the main argument of this thesis is that a marketing strategy that creates a controlled trajectory and playing ground of consumer to business and consumer to**

**consumer interaction is the best strategy for marketing consumer electronics.** By reviewing the iPod case, a real-life case for engagement marketing will appear. iPod is also important for its implications in connecting online and offline marketing efforts. Offline is crucial because it helps embrace a larger consumer sections – not only a limited groups of IT savvy multitaskers.

Apple and its iPod products have thus shot to rock-star status in a manner and with a strategy that few had been able to foresee. This success of the iPod cannot be accredited simply to either technological prowess or well-calculated marketing. For a success of this size to occur, a number of elements – among them good-timing and luck included – had to have gone right.

The iPod Keys to Success(Duncan, 2006; Wahlberg, 2006):

- Simple Interface: The Apple iPod has an extremely simple interface, needing only a few seconds of use to be able to master it.
- Large Capacity: The current regular iPod has a 30 to 60 gigabyte storage capacity, with 30 gigabytes equaling about 6,000 songs. Even the smaller versions have a larger than normal capacity.
- It's visually attractive: They made it look very sexy, appealing to just about everyone, and is now extremely recognizable.
- Windows and Mac compatibility: When they crossed over to the Windows market, they more than tripled their market, literally reaching anyone that owned a computer.
- The music industry backs iPod
- Add-ons designed just for iPod: They help establish brand loyalty, which further reinforces the idea here is that once a consumer invests enough money in headphones, speakers, carrying cases, etc., they won't be quick to switch to a competing, non-compatible product.

Consequently, iPod's success will be approached from the following 3 aspects:

1. Innovation and user-friendliness
2. Ingenious marketing
3. An ecosystem of iPod products

### **Innovation & User-friendliness**

Apple was not the original innovator, but Apple was able to execute the product as a true consumer electronics product. While everyone was making an MP3 player that was better/cheaper/faster, Apple was making electronic jewelry that also played MP3s. iPod won because it was the right balance of features, and it lived up to its marketing as the coolest thing (*The Voice of Effective Marketing*, 2006.)

### **Ingenious Marketing**

The saying that Apple fans are raised on rumors provides an insight into the company's marketing strategy. Apple is a genius at creating product with personality, encouraging cults and using its shroud of secrecy to fuel unpaid for buzz in the market place. And this is exactly what has happened with iPod (*The History of Apple's iPod*, 2006).

For starters, **Apple greatly leveraged its corporate website into a powerful carriage and tool for the marketing strategy.** The advertising, website, marketing were seamless, consistent, tightly locked and smoothly functioning unto themselves and also worked fluidly towards a natural consumption reaction by making it “really easy to buy an iPod.” Even the white cords have become symbolic of the iPod brand, and advertisements for the devices feature them prominently (*Apple merges from the pod*, 2003).

Apple’s marketing is also an expert at providing an experience for the consumer in relation to a product, which can change the consumers’ attitude about what they want (*Microsoft’s ‘Zune’ to Challenge Apple iPod*, 2006)

Another evaluation of Apple iPod’s success is that the company has been able to bring forth products that “reflect personality.” The iPods (Minis) have become fashion accessories in and of themselves. “[The choices that have allowed a reflection of personality has become] A point of differentiation for the individual and they’re almost a status symbol,” Tim Bajarin, an analyst at Creative Strategies tells us (Martell, 2006).

These facts consistently point to a type of marketing strategy that is comparatively more dependent on the reaction and action of consumers through consumer involvement, individual experience and personality expression, evangelism, word-of-mouth, etc. In 2004 a school teacher had the marketing world

abuzz with a homemade ad for Apple Computer's iPod that rapidly "went viral." To some experts the ad was heralded as the future of advertising. Homemade ads will play a big part in marketing just like blogging is shaking up the news. The dream of marketers today is for such "pure" advertisements and "straight-up" consumer-produced ad spots to appear. Such consumer evangelism will increasingly play a role in marketing and engagement marketing is in tandem with this development, i.e. the growth of and argument for the concept of "co-creation" (Kahney, 2004).

Steve Rubel, vice president at New York-based PR agency, CooperKatz says: "[C]onsumers want to have role in promoting a product they consume. There's a real trend toward consumer-generated media. People are creating news, they're blogging. People will create marketing as well." **Apple leveraged this tendency by setting the stage and managing it just enough to induce the players involve themselves in the marketing plan, voluntarily. Engagement marketing has a great deal in common with this strategy** (Kahney, 2004).

Some even go out of their ways to say that in today's most successful form of marketing, marketers can no longer expect to directly affect consumers into a certain desired course of action. Instead it is all about voluntary involvement and purchase decisions on part of the consumer. From the business side, it is all about getting consumer to act a certain way, but still feel that it was an independent choice. You can hire as many "cool hunters" and guerilla marketers as you like, but when it comes to the more youthful segment of the multitasking consumer group, it's either you have "got it" or you have not. When you have "got

it” DJs hold iPod parties voluntarily, and trendsetting youths gush over the product at barely a pin-drop (*Apple emerges from the pod*, 2003)

### **An Ecosystem of iPod Products**

Apple’s ecosystem of partners, content providers and promotional channels is the third element for Apple’s marketing success. As they say, with big things, you never succeed alone, and it was just the case for Apple. For instance, to diversify its function from simple music replay to communication in general, the company recruited people to create podcasting. They partnered with cell phone vendors, rock bands, radio personalities, content syndicators, consumers. And they cross promoted to the hilt. In this manner, Apple was able to differentiate itself with exclusive content, online tools, and one of the largest audio book collections available. In today’s break-neck speed of innovation, products and companies must constantly be on the look out for new ways to reinvent the product and find new uses for it. An ecosystem around the product, made up of people and groups that would find areas of innovation for you because your product also happens to have a staggering user-base which can be viewed as a ready-made target consumer group, is a truly efficient and effective way of marketing. By creating an environment of various uses around the iPod, Apple was able to lock in consumers, and also businesses that made their money off the peripherals that go in to creating this iPod environment. The consumers were pleased with a wide array of choices and activities, the businesses were happy with a

dependable consumer base, and the competition and commoditization was thus held at bay (*The Voice of Effective Marketing*, 2006).

Ultimately, the success of innovative accessories that create a controlled ambience for and around the consumer, is one of the bigger reasons why Apple's iPod still retains a dominant 70 per cent plus share of the digital music player market in spite of a raft of rival products from companies such as Creative Technology and iRiver. By some estimates, the iPod ecosystem has grown into a huge and highly profitable industry in its own right (*iPod 'ecosystem' offers rich pickings*, 2006).

The sheer range of innovative and desirable iPod accessories helps drive sales of iPods themselves. Once the iPod user market reached critical mass it became attractive to accessory makers and that in turn helped fuel iPod demand, generating what some have described as a **“virtuous circle of both consumers and business partners.”** This attribution of iPod's phenomenal success to the emergence of the iPod ecosystem gives further support to the validity of the engagement marketing model which is based on a similar concept of consumer “lock-in” with a well-managed platform of communication, information provision and consumer involvement (*iPod 'ecosystem' offers rich pickings*, 2006).

In summary, Apple's marketing strategy for iPod was based on the transition of consumers – piqued by the trendy marketing efforts – into faithfuls (*Sony faces the music*, 2006)

Apple's marketing program, through the above-stated 3 reasons, got the word out and created the necessary buzz ahead of rolling out the iPod. The product in itself was also supported by a platform in the form of its afore-mentioned software and online music stores and the Apple "ecosystem." Eventually the customers were induced into a long-term commitment with the brand thanks to a strong identity and culture that let consumers feel that an iPod purchase was not a simple transaction of money and product, but a creation and attainment of a value and culture: a personal statement. Apple not only had penetrated into the people's wallets, but also had succeeded in laying claim to a special lot of the people's mind. **This inroad to the consumer was one of the biggest assets Apple was able to create from its marketing mix and the pivotal reason for its long-term success as iPod still reins strong the MP3 market with 77% share of the US portable music player market in terms of unit sales. Engagement marketing's fundamental goal is also the claiming of the multitasking consumer's mind.**

## **PlayStation v. Xbox**

The media is calling it the clash of titans; two companies, both fabled industry players in their own right and both packing a punch in the technology and marketing sector, going head to head in the consumer electronic sector. Their choice of product was also quite an interesting promotion for a traditionally 'geeky' product: the video game console.

First, it is important to touch upon why the video game console received such a promotion in the first place. Consumer electronics company, software companies, and any IT related companies alike have realized that it is essential to claim the digital hub of the household to remain competitive into the future. (Schlender, 2006) Phrases like "ubiquitous technology," "intelligent household," all point to a home that is wired and managed through a central hub. And whoever claims the hub will influence all the rest of the household appliances – as they steadily become wired – thus creating a natural environment that directs the consumers to a certain brand, or group of brands.

In the "new economy," the company that has been able to implement this consumption pattern is far better positioned than those that have not been able to do so. As competition stiffens, and as consumers become more empowered, it is imperative to have a platform upon which consumers can play out their daily activities such as entertainment, information search, etc. Once on this platform,

consumers naturally build up a pattern of buying a set number brands that fits in with their lifestyles. **The best way to induce consumers to come aboard this platform is through a media hub. In exchange for the attention, time and investment on part of the consumer, the media hub provides experience, entertainment, information etc. This exchange function should be noted for its great implications in the clarification, understanding and design of engagement marketing strategies.**

Just as the previous case study of Apple's iPod showed, engaging consumer through a media hub is a powerful strategy. Besides an MP3 player, another product has proven to be just as powerful: the video game console. The rivalry between the two heavy players in the sector, Xbox and PlayStation offers us a view into how marketing strategies are and ought to be implemented for an important consumer electronics product that literally is affected by how "engaged" the consumer is.

Well into the fourth quarter of 2006, both Sony and Microsoft have their next generation consoles out. Obviously, Microsoft enjoys a first-mover advantage, a price advantage and a production and supply advantage. Sony on the other hand has raised worried eyebrows as it struggles with component shortages for the newest edition to its video game console line: the PlayStation 3 (PS3). What is more, the PS3 is being sold at USD 400 for the basic version and USD 600 for the more advanced version; the price difference with Xbox 360 amounting to

about USD 200. Sony's insistence upon the incorporation of the BluRay standard in the console is said to be the reason for the price hike, and also a partial reason for the production trouble. Sony's willingness to allow the price disadvantage and late shipments in exchange for a bid to engage consumers into their preferred standard of media technology once again underlines how important it is to claim dominance upon a platform in today's consumer electronics market. And when the consumers hand in their verdict on the PS3, further evaluations for the viability of such a move will give marketers considerable food for thought (Thurrott, 2004). A brief comparison of the major features of PS3 and Xbox 360 can be found in the Appendix.

These platforms' capabilities as carriages of various digital tasks and jobs give further reason for companies to pit their best in this struggle to claim dominance over the video game platform and its position in subsequently the household media hub.

With the third round match between Sony and Microsoft just taking of in November, 2006, the outcome of this "war of consoles" will have to wait. But the outcome of the first head-to-head battle between the first Xbox and PS2 has been agreed as the latter's victor. PS2 has remained in control of the match, outselling even the Xbox 360 in six of the seven months since the Xbox 360's debut. The situation is a strong reminder that Sony's PS3 gamble, while huge, has a little more cushioning than is commonly recognized. Since the release of

the Xbox 360, MS has averaged 246,000 consoled sales each month in the US, while the PS2 has seen an average of 473,000 units. (Fisher, 2006) **The reasons behind PS2's success point out important strategic points for engagement marketing and the concept of the engagement platform** (Thurrott, 2004).

Reasons for PS2's success have been generally agreed to as follows:

An outstanding platform for contents and player and game developer involvement, supported by a smart marketing team that found the right timing for the launch of the product and also managed to build up the necessity hype for the product and turned most adversity and challenge into just another hot issue that had people talking about the PlayStation for better or for worse (especially for the case of the oft-delayed PS3).

Sony released the PS2 in Japan March 2000. Technology had little to do with PS2's success. A rich and attractive list of game content and a comparatively early – with respect to the first Xbox – launch date coupled with well-managed marketing hype helped launch the product successfully (Thurrott, 2004). By the time Sony launched the PS2 in North America in October 2000, the company had sold more than 3 million units in Japan.

Most important to gamers is content, and this is where Sony's strategy was able to differentiate itself with the crowd the most, and also an important strategic point for engagement marketing. The differentiation also added fuel to the reasoning that often times in consumer electronics the sheer technological

firepower cannot win over diversity and ease of user experience concerning the product. **From the start, Sony ensured that its video game platform was supported by the most popular software titles, and backwards-compatibility with PS1 titles ensured that users of that system had an obvious upgrade path. Here is a clear example of a case of consumer lock-in through an “ecosystem” of compatibility and content. This means that when consumers make a “certain” investment into a system, they are more likely to stay with the system.**

Today PS2 has more than 2000 software titles and more than 400 million games sold. With more than 60 million units sold and an entire cottage industry based on peripherals, it's equally clear that Sony now writes the rules for this generation of video game systems (Thurrott, 2004). The “importance of creating an ecosystem” lesson from the Apple case is reiterated here as PS2 soared to success through close involvement of business partners upon an open platform and an enfranchisement of consumers into a platform.

Kaz Hirai, president and COO, Sony Computer Entertainment (SCE) says: “From the very beginning we developed a platform with the right mix of technology and consumer appeal for its time, but one that would also evolve with our consumers, a system that could seamlessly enhance and expand when the time was right. As a result we've penetrated the mass market more quickly than anyone expected with more than 20 million gamers to date” (Cordeira, 2003).

(There is great similarity here with Apple iPod's approach: a viable business model for partners and a personal digital platform for consumers that also packs a punch in style and coolness.)

The PlayStation is an important element of Sony's "Ubiquitous Network Strategy." Just as Apple's Steve Jobs wanted a digital platform to lock-in consumers to ultimately sell more of its other products, so do Sony, Microsoft, and anyone else who makes money selling electronically related consumer products. And this race for claiming the home networks of consumers is turning the spotlight on the capabilities of the Internet, yet again.

For the video game consoles it is called: network support: Using the video game consoles as platforms, customers are linked to the Internet in an environment still controlled by the creators of the video game platform. (E.g. through Xbox Live and PS2's network adaptors) (Thurrott, 2004).

Through the Internet, Sony is empowering the largest online gaming community with its tested mix consumer benefits of choice, value, easy access and the best contents available. The marketers at Sony America believe that the online console gaming community is a dynamic universe that will continue to grow and evolve as consumer adoption increases. As such the company is preparing to introduce a series of technology and content advancements to engage consumers within this community and build consumer loyalty now and for future PlayStation platforms.

Points for strategic consideration were found through an internal survey in 2003. **In the survey Sony found that PS2 gamers play online for the competition and camaraderie that a community provides (Cordeira, 2003). These finding can be incorporated into engagement marketing almost seamlessly, as the platform-centered marketing approach of this strategy needs to know as much as possible why people would come and continue to come to such platforms.**

### III. TO WOO THE MULTITASKING CONSUMER: “ENGAGEMENT MARKETING”

- The working definition of engagement
- The current industry view of engagement marketing.
- Extracting a tentative engagement marketing model.

The advent and increase of the multitasking consumer warrants the call for “engagement marketing.” From the review of the multitasking consumer, the elements of the new economy, and the real-life cases of Apple and Sony, a natural match between the multitasking consumer and engagement marketing can be discerned.

**The linchpin of the argument in confirming the validity of engagement marketing depends on verifying that multitasking consumers are the increasing majority of today’s consumer, and also that the important early adopters and opinion leaders are more often than others multitaskers, and the match between these multitaskers and engagement marketing.** As such, ahead of the literature review below, the findings of the survey “Marketing for the New Economy: Consumer Attitudes Towards Internet-based Engagement Marketing” will be used to provide more practical evidence that supports the above-mentioned links.

The findings of the survey are as follows (Refer to Appendix A):

Multitaskers:

- Are more often opinion leaders and early-adopters; consumers typical to the new economy
- Believe that consumption can be a method of expressing individuality
- React positively to a consumer-to-consumer (C2C)/peer interaction
- Show increased dependence upon online sources for information
- Find word-of-mouth (WOM) and non-commercial channels are very persuasive
- Perceive the Internet is the most effective vehicle for reaching this consumer group
- Feel that infomediary websites (corporate websites) can increase “engagement”
- Responded to corroborate that early adopters are opinion leaders and a majority of them are also multitaskers
- Prefer a systematic “platform-based” approach in marketing
- Reacted favorably when management of post-purchase issues was weaved into engagement platform
- (Holding that the findings of this thesis that engagement marketing incorporates concepts of word-of-mouth (WOM), C2C interaction and an infomediary platform) Reacted positively to engagement marketing and also responded that actual purchase rates are positively affected by engagement marketing

The survey was initially aimed at providing a Korean perspective to a US literature focused argument and to provide corroborating evidence for an Internet-based engagement platform – i.e. corporate website. It also clearly points to a positive relationship between the multitasking consumer and

engagement marketing. Strategies such as word-of-mouth (WOM), C2C interaction and the use of an infomediary website were individually reviewed against the choices of the multitaskers to provide collectively, a finding of a positive reaction from multitaskers with regard to engagement marketing strategies incorporating these elements.

Further review of what concepts of engagement, consumer engagement, engagement marketing and other related terminology will provide further supporting evidence for this link by means different from the survey: literature review and logical deduction.

#### **A. Definition of “Engagement”**

The dictionary definition says of engagement: “The act of engaging or the state of being engaged.” This naturally leads us to the question, “What is the act of engaging?” or “What is it to be engaged?” Returning to the dictionary we find that the meaning of the verb, “engage” is: To occupy the attention or efforts of (a person or persons). (*The Random House Dictionary of the English Language*, 1987).

With the dictionary definition in hand, three commonly used theoretical expressions involving the term “engagement” will be touched upon to create a foundation upon which the relatively new concept of “consumer engagement” can define itself.

In this light, civic engagement and employee engagement will be reviewed, in the order of growing relevance to engagement marketing. Certain aspects of their concepts will be used as pointers for defining the idea of incorporating engagement into a marketing strategy.

## **Civic Engagement**

As is the case for most theoretical concepts, civic engagement also suffers from the lack of a universal, concrete definition. Various organizations, studies and researchers have come up with a number of working definitions which will provide a general understanding of civic engagement.

The University of Maryland Coalition for Civic Engagement and Leadership gives a working definition of civic engagement as:

Civic engagement is acting upon a heightened sense of responsibility to one's communities.

Project 540, a national high school civic engagement initiative in the US, housed at Providence College in Rhode Island defines civic engagement as:

Adding one's voice to community conversations. Advocacy on behalf of others. Participation in public life. Encouraging other people to participate in public life. Joining in common work that promotes the well being of everyone.

The Task Force on Civic Engagement at the University of Minnesota gives another variation to the definition as follows:

Civic Engagement means an institutional commitment to public purposes and responsibilities intended to strengthen a democratic way of life [... ...]

How does this definition complement real life situations? From an institutional point of view, civic engagement is an improvement on public relations. Through civic engagement, the institution, organization and business can build the necessary knowledge and relationships with their constituencies/customers. Through a both-way dialogue with these people and groups, the institutions can find new possibilities for development and growth and also reinforce their credibility and loyalty in the eyes of the public (Harwood, 2003).

In response to the changing environment – most notably through the so-called “digital revolution” – civic engagement is trying to increase its reach. The Internet and its versatile ability to support communities and community action are being tapped into as a possible catalyst for civic engagement. The reason civic engagement proponents and practitioners are interested in the Internet’s ability to provide a foundation for the creation of various networks, interest groups, societies and its ability to facilitate the maintenance and growth of these group initiatives is because of the important role of social capital in achieving an successful civic engagement.

So what is social capital and what relevance does it eventually have with marketing? To understand social capital and its implications, Pierre Bourdieu and Robert Putnam need to be reviewed. The former produced the earliest literature that reviewed social capital as an independent concept in relation to society. Bourdieu's definition was: Social capital is "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition." Robert Putnam elaborates on this by defining social capital as: "The collective value of all 'social networks' and the inclinations that arise from these networks to do things for each other." Social capital needs to be noted here because in albeit a different form, social capital becomes an important stepping stone that links engagement marketing to the necessary outcome of increased sales and consumer loyalty in the business world.

### **Employee Engagement**

Employee engagement is the buzz word for today's HR consultants. Based on various exhausted theories on the reasoning that employee satisfaction and commitment positively influences company performance, employee engagement is put forth as the next phase of employee empowerment.

The definition of employee engagement also is subject to various interpretations. The Institute for Employment Studies (IES) of the UK attempts at a working definition

of the idea as: “A positive attitude held by the employee towards the organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization.”

Indicators of employee engagement add to the definition of employee engagement. For instance, an engaged employee will typically show the following traits (Robinson, Perryman & Hayday, 2000):

- A positive attitude towards, and pride in, the organization
- Belief in the organization’s product/services
- A perception that the organization enables the employee to perform well
- A willingness to behave altruistically and be a good team player
- An understanding of the bigger picture and a willingness to go beyond the requirements of the job

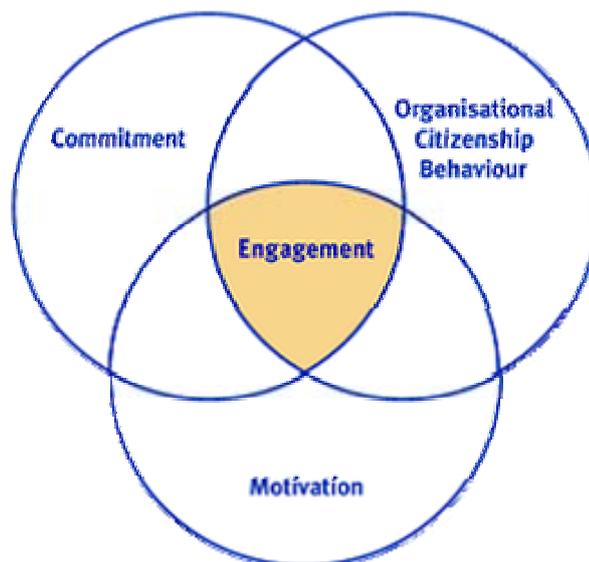
A professional HR consulting firm (Development Dimensional International) adds that employees feel engaged “when they find personal meaning and motivation in their work, receive positive interpersonal support, and operate in an efficient work environment.” Moving on, this firm states three elements of engagement that will further define the meaning of engagement that is of relevance in understanding employee engagement. Internal research, individual value, focused work and interpersonal support have been found to be the three important components of employee engagement.

- Individual Value: Employees feel more engaged when they are able to make unique contributions, experience empowerment, and have opportunities for personal growth.

- **Focused Work:** Employees feel more engaged when they have clear direction, performance accountability, and an efficient work environment.
- **Interpersonal Support:** Employees feel more engaged when they work in a safe, cooperative environment.

In other words, employee engagement is a combination of commitment, organizational citizenship behavior (OCB) and motivation.

[Figure 3. Locating Employee Engagement]



*Source: Institute of Employment Studies (IES)*

This three-step concept not only effectively captures the essence and road map of employee engagement, but also will have considerable implications for the incorporation of engagement into marketing strategy. **The latter will also revolve around a three-step engagement inducing process:**

- Motivation → “Engagement”
- Commitment → “Enlightenment”
- OCB → “Enfranchisement”

At this point, let us ask the most obvious and relevant question for any business theory: Does employee engagement really affect the bottom line of a business? The relative youth of the concept (arguably, the idea of employee engagement was brought forth in its contemporary sense in 1994 by James Heskett), the innate flaws of most matrixes linking corporate performance to management theories notwithstanding, there indeed have been various positive indicators of the effectiveness of employee engagement. A recent study of 28 multinational companies through 2004 found that the share prices of organizations with highly engaged employees rose by an average of 16 per cent compares with an industry average of 6 per cent. Another survey conducted in August, 2005, showed that companies with low levels of employee engagement saw net profits fall by 1.38 percent and operating margin all by 2.01 per cent over a 36 month period. In companies with above average levels of employee engagement profits rose by 2.06 per cent and operating margin rose by 3.74 per cent over 36 months (Parsley, 2005).

A pipeline of the cause-and-effects of employee engagement and corporate performance was drawn out by James Heskett et al in his 1994 paper. In what they called “The Service-Profit Model Chain,” it was argued the following order of events:

Employee Satisfaction → Employee Retention → Employee Productivity → Service Value → Customer Satisfaction → Customer Loyalty → Profitability and Growth.

The central point of this argument is the importance of involving the employees and genuinely valuing their input. The Institute of Employment Studies concurs as it marks the sense of feeling valued and involved as the strongest driver of employee engagement.

[Figure 4. IES [Engagement] Diagnostic Tool]



Source: IES Survey, 2003

In Figure 4, the various elements and indicators of employee engagement can be seen. From this larger picture the idea of engagement marketing can be detected, because a sense of feeling valued and involved will be an important driver for consumers also in the quest for consumer engagement – a central element for engagement marketing.

## **Consumer Engagement**

**The official working definition for “engagement” put forth in May of 2006 by the Advertising Research Foundation (ARF) of the United States is:**

**Engagement is turning on a prospect to a brand idea enhanced by the surrounding context.**

The fact that a widely-accepted definition of consumer engagement is still in the works points to the relative youth of the issue. It also highlights the relative importance of this concept in that despite its innate difficulty in pinning down a definition for it, it still garners unprecedented flurry of researches, task forces and committees. The Advertising Research Foundation (ARF) of the US, the American Association of Advertising Agencies (4As) and the Association of National Advertisers are still struggling with the adoption of an industry-wide definition of consumer engagement and measurement index, though in July 2005, the afore-mentioned organizations announced to adopt “consumer engagement” as a media measurement metric to complement traditional measure of consumer

exposure (Carson, 2005). The phenomenon of consumer engagement and its implications are underlined as important by these organizations because “consumer’s ‘engagement’ with a brand idea – the perfect storm of the right message, to the right consumer, in the right medium, at the right time – can transform the passive act of seeing to the act of doing.” (*Consumer Engagement Conference Brochure, 2006*)

Individual media and advertising agencies and related companies are coming up with their own definitions to consumer engagement. Independent Horizon Media defines increasing consumer engagement as an effort to increase “the relevance and importance of communication channels to a brand’s target consumer groups.”

A final reference to another tentative attempt at defining consumer engagement will be found at Brand Keys. While introducing its own engagement metrics, the company provided a succinct definition stating: “Real engagement is defined as the consequence of any marketing or communications effort (through any media touch-point) that results in an increased level of brand equity for the brand.” (*Eight rules for prediction consumer engagement metrics, 2006*)

**For this thesis a working definition for consumer engagement is as follows:**

**Consumer engagement is seeks to deliver the right message, to the right consumer at the right time to create a meaningful communication experience to increase the reach and effectiveness of the message which will eventually increase brand equity.**

Engagement marketing is a marketing strategy based on the idea that consumer engagement will thus increase brand equity which will eventually increase purchase rates. As such, engagement marketing more or less starts off at the same place consumer engagement takes off: the changing media environment.

A snapshot reflecting these changes is visible at the 53<sup>rd</sup> Annual Cannes Lions International Advertising Festival this year, where entries for the Web ad competitions category increased nearly 32% to 2,502 entries. The cause of this increase is attributed to the spread of broadband Internet access which has cleared the way for Web advertising to become a major advertising and marketing medium. Consequently, based on the fluid both-way communication vehicle that is the Internet, the pursuit of interactive consumer “engagement,” rather than the number of viewers seeing a TV ad, has become the game all the agencies and clients are chasing (Howard, 2006).

Much of the ad industry has been converted to the belief that engagement – jargon for getting consumer to spend time with a brand message – is what gets results from advertising. Industry people are saying that one way to do that is to

send the consumer – often with a traditional TV ad – to a website to interact with or sometimes create the ad. Such interaction can extend a consumer’s time spent with a brand to minutes or longer versus 30 seconds for TV ads (Howard, 2006).

Time – as noted previously – has increasingly become both the index of advertising and marketing effectiveness and a limited asset that is growing in importance in the consumer’s mind. At this point, the chairman and chief creative officer of BBDO, North America, David Lubars’ comment is noteworthy: “In the old days, you could run [anything], and it was inescapable. Today, whether it’s traditional or new media, consumers have unprecedented choice about what they will or won’t watch. Time is the most precious thing, so you have to convince them why it’s worth their precious time to engage with your brand for 10 minutes” (Howard, 2006).

The CEO of R/GA, Rob Greenberg’s comment on a successful method for consumer engagement touches upon some of the central points of this idea: “[Consumer engagement] is all about the target and the measurement. Advertisers want something that moves a person along a continuum of engagement that can make them more interested in the brand, make them an advocate of the brand and lead to a purchase.”

Engagement marketing is about taking consumer engagement and using it to create a marketing strategy that is arguably better equipped to deal with the “new

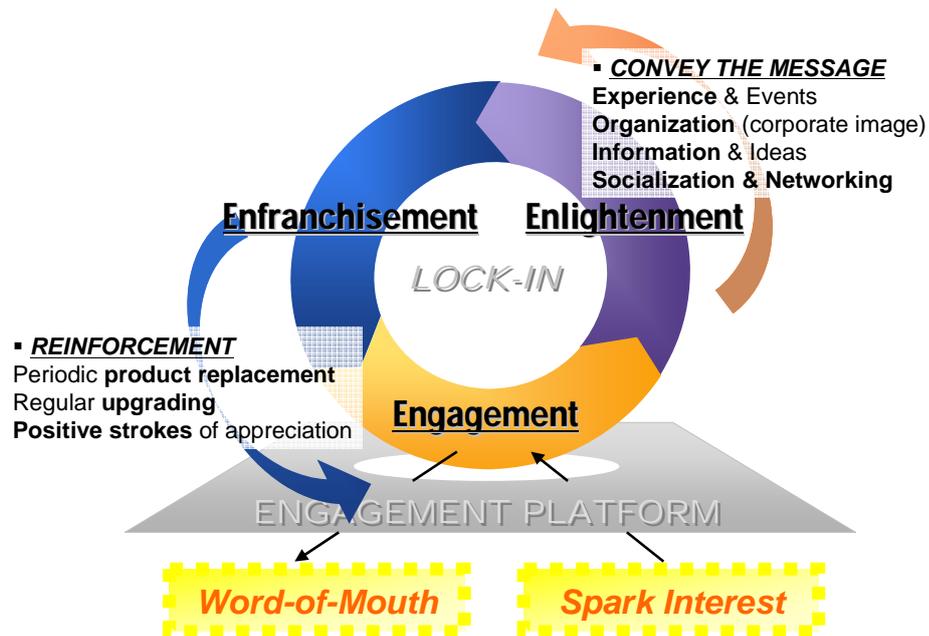
economy” and its various challenges. It is a response to the problems caused by the “new economy” with its splintered media and multitasking consumers. Through a 3-step process – Engagement, Enlightenment and Enfranchisement – engagement marketing will offer a method of cutting through the media clutter and effectively reaching and maintaining loyal and valuable consumers.

The definition and idea of engagement marketing will be developed over the course of this paper. Engagement marketing will thus be approached as providing a solution to two problems: Tackling media clutter and achieving brand awareness and loyalty.

## Engagement Marketing

- Engagement Dynamic: Experience and C2B, C2C interaction

[Figure 5. The Engagement Marketing Model]



In the process of understanding engagement marketing, the most relevant of current marketing concepts will be reviewed and strategic points within the concepts will be developed into an engagement marketing strategy. First, the definition of marketing itself will be recapped, along with a check up on the current level of development in marketing strategies. The latter process is important because “engagement marketing” is also another phase of marketing development that meets the standards of the “new economy.”

In his most recent edition of *Marketing Management* (2006), Philip Kotler states that marketing is a “process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.”

Engagement marketing is a response to the changing environment. It is basically marketing’s reaction to the increase of media outlets for information, sales and most all activities concerning most of the transactions that make up human life. In order of increasing technology intensiveness, some of these disruptive channels are: catalogs, direct mailing, newspapers, magazines, TV, direct-to-customer ads, Internet, blogs, mobile networks, etc. They confuse and increase noise for marketers and chip away at the profits of store-based retailers. The latter has struck back in response by building entertainment into the brick-and-mortar stores through “store-in-store” concepts that brought in coffee bars, book stores, and also held lectures, demonstrations, performances and incorporating most other methods. These stores are now marketing and “experience,” rather than just a product. They have realized that consumers pay for not only the product but also the whole host of values and images which they believe come in parcel with the product (Kotler & Keller, 2006). Marketers have much to learn from this, and one of the results of it would be engagement marketing.

## Consumer Behavior and Engagement Marketing

- The social and personal factors of consumer become strategic points of entry into the consumer's mind for engagement marketing strategies leveraging a social platform for peer interaction.

Engagement marketing is essentially about influencing consumer behavior. The three steps of engagement marketing seek to achieve a certain predictable consumer behavior that is beneficial to the company through a set of strategically positioned stimuli and a lock-in inducing continuum. Consequently, engagement is a struggle for the consumer's mind. So the logical question now is, what are the major factors influencing buying behavior?

**Social Factors:** A consumer's behavior is influenced by such social factors as reference groups, family, and social roles and statuses. A person's reference groups consist of all the groups that have a direct (face-to-face) or indirect influence on the person's attitudes or behavior. Groups having a direct influence on a person are called membership groups (Kotler, 2000).

Creating a reference group, or a membership group on the engagement platform is the objective of engagement marketing. For consumer electronics – often for new or upgraded products or brands – an opinion leader or an early adopter's influence is great. Consequently a lot of effort is put into reaching these opinion leaders, so that a favorable review or buzz may be ignited by these opinion leaders. Engagement marketing internalizes this opinion leader element

within its engagement platform. **Through socialization, networking and information sharing – all within the premises of the company provided networking platform – the community itself becomes an early adopter for the company, and continue to identify and huddle around an opinion leader who will be naturally identified in the process of socialization.** It is important for the company to maintain a certain direct relationship with these opinion leaders. Yet it is ill-advised to plant an opinion leader. That would be no different from the traditional spoon-feeding, persuasion-focused marketing efforts.

**Personal Factors:** A buyer's decisions are also influenced by personal characteristics. These include the buyer's age and stage in the life cycle, occupation, economic circumstances, lifestyle, and personality and self-concept (Kotler, 2000).

Engagement marketing is approaching the consumer at a personal level. To be on a personal level, marketing strategy has to take an individual focus, and often times this means an understanding of the lifestyle of the (target) customer. In other words, it is not to just force a product into anybody's hand through tough selling, but to grasp the cycle and momentum of a person's behavior over a period of time and find the right openings for the introduction of products and to pitch the brand/company in a light that fits this behavior pattern. Marketers need to find the relationship between their products and the lifestyle.

**Lifestyle is the person's pattern of living in the world as expressed in activities, interests, and opinions. Lifestyle portrays the "whole person"**

**interacting with his or her environment (Kotler & Keller, 2006), engagement marketing seeks graft products/services as smoothly as possible into the lifestyle of the customer.** According to the definition of lifestyle, this comes to mean that a good way to engage a customer is to reflect the activities, interests and opinions in the marketing schemes and to allow these interests to be pursued continuously onto the engagement platform.

Basic elements of consumer behavior have been reviewed and the points that can be leveraged to create the marketing strategy that is better equipped for the “new economy”: i.e. engagement marketing. Of the points of possible leverage, the “social” aspect of consumer behavior holds great possibility for a truly effective marketing. Consumer’s value of social interaction, camaraderie and networking is an opportunity for companies to add value to products in ways that are genuinely novel and hard to imitate once the company has got it right.

### **Value Delivery and Engagement Marketing**

- Consumers today – i.e. multitaskers – consider social benefits as values.

With the knowledge that consumers today place a value on non-monetary, non-tangible benefits such as social interaction, social networks and camaraderie, engagement marketing seeks to leverage this attitude to create a competitive edge from companies that can provide these benefits.

The self-reinforcing cycle of engagement seeks to increase customer delivered value by providing value not only in the form of the product, or even the related service, but also in the complete consumer experience on all touch points between the company and consumer, and further, between the consumer and consumer in the form of camaraderie, social networking, information sharing, etc.

To further support the argument for value creation through the provision of an opportunity for socialization, camaraderie and such, there is an argument that states that people prefer to conduct business on a socially active platform (Smith, 2002). Why? Because the social networking and experience facilitated by the engagement platform translates into intangible product benefits, buying through the engagement platform reduces non-monetary costs.

Socializing experience, consumer-to-consumer interaction adds value, thus improving the effectiveness of the value delivery system. A difficult-to-imitate value addition which is properly communicated to consumers will produce the next step of consumer behavior, which is also another step in the engagement process: consumer brand loyalty.

## **Brand Loyalty & Brand Equity**

- Engagement marketing's consumer "lock-in" concept means brand loyalty.

**Satisfaction is defined as pleasurable fulfillment (Oliver, 1997). Engagement provides pleasurable fulfillment of networking. That is, the consumer senses that consumption fulfills some need, desire, goal, or so forth and that this fulfillment is pleasurable.** Thus, satisfaction is the consumer's sense that consumption provides outcomes against a standard of pleasure versus displeasure. For satisfaction to affect loyalty, frequent or cumulative satisfaction is required so that individual satisfaction episodes accumulate into an attitude. Through this repetitive process brand loyalty is created: a combination of positive experience and the feeling of having vested interest – both in the rational and irrational sense – in the brand. This state can be called a "locked-in" state. And ultimately marketing and brand strategies are about seeking to bring out this irrational reaction in consumers that is usually manifested as attachment, loyalty, advocacy, etc. (Oliver, 1997).

So the strategy is laid out, but how can it be actually applied to today's multitasking consumers? The following are the possible answers.

## **Consumer Community: Social Organization and “Village”**

- Peer interaction and social activity in general reinforces brand loyalty.
- Engagement marketing’s C2C platform thus positively affects brand loyalty.

In its pure form, the village is a social alliance in which the primary motivation to become loyal on the part of each consumer is to be one with the groups, and the primary motivation of the group overseers (early adopters and opinion leaders) is to please their constituency. In this situation, the consumer becomes a willing participant because of the attention provided by its members. In the limiting case, the product/service is not the consumable. Rather, it is the camaraderie – which engagement and the platform will provide and change into a sort of social capital – provided by the social organization. Good examples of this are senior citizen organizations, Web site chat rooms, lodges, travel clubs and card clubs. Local Harley-Davidson Owners Group chapters participate in various (so does Cyworld, a Korean online social networking platform) benefits, including highway trash pickups, for this purpose. The exact nature of the philanthropic activity is secondary to the group camaraderie (Friedman, Vanden Abelle & De Vois, 1993).

This concept goes by many names in various literature, but is perhaps best exemplified as a “consumption community” or the more widely called “consumer community” (Friedman, Vanden Abelle, & De Vois, 1993), based on Boorstin’s

(1973) notion that individuals feel a sense of community when they share the same consumption values and behaviors (Schouten & McAlexander, 1995).

**Implicit in the concept of the consumer community is that it encompasses both a sense of belongingness and what Goodwin (1997) refers to as “communality.” Goodwin distinguishes communality from several other close relatives, describing it as resembling a friendship that is marked by nonessential conversation, disclosure, and helping behavior (all to be found on the engagement platform).** Thus, in the social consumption village or the engagement platform, the consumer submits to the judgment and recommendations of the groups collective voluntarily and willingly. This subjugation is performed for the rewards of membership and to reap the friendships and protectiveness of the collective (Goodwin, 1997).

The consumer community blends the desire for personal identity with the cultural milieu surrounding the product. What this means is that the consumer is drawn to the product environment and the consumer finds a “natural match” with both the product and its environment. This is a particularly healthy situation for the firm because the product/service is embedded inextricably within some portion of the consumer’s psyche, as well as his or her lifestyle. The product is part and parcel of the consumer self-identity and his or her social identity. That is, the person cannot conceive of him or herself as whole without it. At the extreme, the object is present intentionally and extensionally. **The consumer would say that**

**the object is “part of me” and that it is a “extension of me” (Belk 1988). This state will be part of the final stages of engagement marketing. This identification is most effective in inducing voluntary involvement and time allocation with a brand or to a product.**

Further strategic importance of the consumer community is found in the additional adhesive power of social bonding in the community that strengthens the consumer’s commitment to the brand. In essence, the consumer wants to be loyal, the social organization wants him or her to be loyal, and as a result, the two may become symbiotics. These are stringent criteria for the firm that wishes to have a loyal customer base – and loyalty is important in today’s new economy (Belk, 1988).

### **Customer Opportunity Network**

- Consumers enfranchise themselves into a network or community to find information and consequently simplify complicated choice processes.

A spin off concept of the consumer community is called the customer opportunity network. It is a body of customers organized around a central information company that serves as a clearing house for the marketing transactions it brokers and regulates on behalf of its member customers and participating suppliers, which represent a range of products, technologies, and services (Hagel & Armstrong 1997).

**The customer opportunity network is important due to its great implications for the design and understanding of the engagement platform in engagement marketing.**

Prototype customer opportunity networks include direct-marketing companies that use various media such as dedicated TV channels, etc. The new breed of customer opportunity networks include Amazon.com, Travelocity, etc. At one end, consumer needs and inquiries, market intelligence, and economic trends are monitored and fed into the system. At the other end, the marketing company is hooked into a worldwide directory of suppliers of products, will all relevant information about product specifications, custom design possibilities, prices, existing inventory, etc. Existing and potential matches between customer needs and suppliers are sorted by expert system software and instantly relayed to marketing offices to negotiate transactions. In this form, the marketing function may reach its highest level of development as a customer consulting function (Hagel & Armstrong, 1997).

Organizing marketing around the consumer as such, offers at least three important opportunities. First is the opportunity to capitalize on information about consumers as a business asset and, on the basis of its market value, realize appropriate economic rents for consumers for the use of this information. **The information also could be used to shield consumers, who so choose, from unwanted advertising.**

Second, it is the opportunity to provide consumers with content and use information pertaining to products. Consumer would have access to product performance data, repair and warranty histories, customer comments, sale prices and promotional offers. Third is the opportunity to facilitate such interaction by organizing consumers into lifestyle-related virtual communities (Hagel & Armstrong 1997).

What will be the major marketing challenges and core functions of the consumer opportunity network? We focus on the three with the most sweeping effects: marketing as Infomediary, brand mediator, and manager of consumer communities.

In sum, all manifestations of the consumption community, the loyalty exhibited stems from two primary sources: brand exposure and repetition and the apparent endorsement of the collective.

## **Implications for Understanding Engagement Marketing**

- Providing information and helping consumers deal with today's vast choice options is an effective value proposition for multitaskers.
- Two of the biggest challenges posed in today's economy are: media choice and branding strategy.

**The implications of this consumption community for engagement marketing is that engagement platform can base its idea on similar grounding, and will be eventually able to return partial control to the marketer because consumers have been cordoned off into a partially controlled environment, managed by marketers.**

The social experience provided as a "value" upon a community-like platform thus has created an opening into the increasingly allusive consumer minds of the new economy. **Now that the consumer "mind state" which is preferred in the new economy – i.e. lock-in state – has been clarified, the next step is to discern how consumer can be led to that state, kept there and also how to continuously strengthen this state. The process of course is the engagement marketing process itself. And the process will be broken down into the 3 steps mentioned earlier – Engagement, Enlightenment and Enfranchisement - that will create an "ecosystem" of consumer loyalty and brand equity.**

For the area of goods, the scope of the thesis itself has been narrowed to the sector of consumer electronics for reasons stated above.

The following section will tackle the concept of engagement marketing as a practical real-life concept. For this end, engagement marketing will be viewed according to two core concepts: Media Strategy and Brand Strategy.

[Table 1. The Three Stages of Engagement Marketing]

	<b>Engagement</b>	<b>Enlightenment</b>	<b>Enfranchisement</b>
<b>Media Strategy</b>	Media clutter solution	Marketing message overload solution	Product commoditization and price-war solution
<b>Brand Strategy</b>	Platform design	Content design	Lock-in design

## **IV. THE THREE STEPS OF ENGAGEMENT**

### **A. STEP 1: ENGAGEMENT**

- First point of actual interaction between consumer and company
- Service provision: Provide a service, information, social experience etc.
- Based on a “quid pro quo” thinking consumers will mete out time and attention to a product/brand in return for a certain service that is considered valuable.

The first step of the engagement marketing process is quite aptly called “engagement.” Just as the dictionary expression, this first step’s role is to smoothly involve a consumer and possibly get the consumer to dedicate him or herself to the 3-step engagement process. This process, if successful will lead to the desired state of consumer lock-in.

In short, engagement can be understood as the first point of actual interaction between the customer and the company. And to bring today’s multitasking consumer to this initial encounter is not an easy task. Today’s consumer, as explained by Modahl and reiterated by the survey results of this paper, need a tangible benefit to take that first step of commitment, and more importantly, to return. This is where service provision comes up as a relevant strategic point. When provided with a genuinely beneficial service, the customers will commit attention and return.

So today's customers are a wily group with a definite quid-pro-quo approach. Genuine benefits will move them towards a more proactive involvement with a marketing campaign, message, etc. Providing service, keeping up a positive rapport, centered on a platform of interaction which will eventually lead to added value, consumer satisfaction and loyalty. This emphasis of experience and service for today's marketing makes the Internet a natural fit as the vehicle of choice for the marketing efforts today.

This means that services and most consumer electronics today are generally high in experience and credence qualities. This means there is more risk in purchase. This has several consequences. First, service consumers generally rely on word of mouth rather than advertising. Second, they rely heavily on price, personnel and physical cues to judge quality. Third, they are highly loyal to service providers who satisfy them.

Service companies and consumer electronics companies face three tasks – increasing competitive differentiation, service quality and productivity (Kotler, 2000). Over the past several decades, new perspectives have emerged that have a revised logic focused on intangible resources, the co-creation of value, and relationship. A new dominant logic for marketing where service provision rather than goods is fundamental to economic exchange has emerged. Marketing has shifted toward the exchange of intangible, specialized skills and knowledge and processes – all happening on the engagement platform, the currency we use to entice consumers

on the platform for lock-in – thus pointing towards a more comprehensive and inclusive dominant logic that integrates goods with services (Vargo & Lusch, 2004).

Customers do not buy goods or services: They buy offerings which render services which create value. The traditional division between goods and services is long outdated. It is not a matter of redefining services and seeing them from a customer perspective: activities render services, things render services. The shift in focus to services is a shift from the means and the producer perspective to the utilization and the customer perspective (Evert, 1995). **The engagement platform seeks to add such value through engagement. Information provision and C2C networking support that encompasses basic product support and after service functions are staple items on the engagement platform. The universal shift of most companies – especially consumer electronics companies – towards a service oriented companies naturally synchronizes with engagement marketing.**

Marketing has transitioned to a service-dominant view, in which intangibility, exchange processes, and relationships are central. We define services as the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself.

The service-centered view of marketing is customer-centric (Sheth, Sisodia & Sharma, 2000) and market driven (Day 1999). This means more than simply being consumer oriented; it means collaborating with and learning from customer and being adaptive to their individual and dynamic needs. **A service-centered**

**dominant logic implies that value is defined by and co-created with the consumer – engagement – rather than embedded in output.**

**Marketing should be at the center of the integration and coordination of the cross-functional processes of a service-centered business model. The method will be: “dialogue.” The dialogue itself will take a two-pronged approach of business-to-consumer (B2C) and consumer-to-consumer (C2C) interaction.** A typical B2C dialogue scheme will focus on one of the most important and fundamental areas interaction between the customer and business: feedback (complaints, suggestions, etc.) and overall post-purchase management. A C2C scheme – which will be discussed more in-depth later – will evolve around a platform provided by the business upon which consumers can interact with each other, create and share user-generated content, and in general invest time and energy to create social capital which will translate itself into additional value for the consumer. Each of these schemes will be individually approached.

The B2C dialogue will take off from consumer feedback management. And complaint management figures the greatest part of this post-purchase management for the following reasons.

Studies of customer dissatisfaction show that customers are dissatisfied with their purchases about 25 percent of the time but that only about 5 percent complain. The other 95 percent feel that complaining is not worth the effort, or

that they don't know how or to whom to complain. Of the 5 percent who complain, only about 50 percent report a satisfactory problem solution. Yet, the need to resolve a customer problem in a satisfied manner is critical. On average, a satisfied customer tells three people about a good product experience, but the average dissatisfied customer gripes to eleven people (Kotler, 2000).

Nonetheless, a customer whose complaints are satisfactorily resolved often become more company-loyal than a customer who were never dissatisfied. About 34 percent of customers who register major complaints will buy again from the company if their complaint is resolved, and this number rises to 52 percent for minor complaints. If the complaint is resolved quickly, between 52 percent (major complaints) and 95 percent (minor complaints) will buy again from the company so, consumer complaints and dissatisfaction is both a problem and an opportunity; especially for engagement marketing (Goodman, 1986).

Just as customer satisfaction was important to engagement marketing, for consumer satisfaction and loyalty, and to reduce bad word-of-mouth and generate a modest amount of positive word-of-mouth, a well-managed channel of interactive complaints must be set up. **Engagement platforms will derive from this idea. Through feedback management it is discernible that timely, systematic and dependable dialogue is important and also a powerful method of engagement. So an engagement platform will incorporate these factors into its design.**

To recap, we can understand a consumer community as a body of consumers who are involved with a company in a social relationship. They are involved because the product represents a significant aspect of their lifestyle and because they can enhance their satisfaction by participating in information-and-experience rich exchanges with the company and among themselves. The key feature is the ability of customer to interact among themselves. It is also the key distinction between conventional one-to-one relationship marketing programs that focus on strengthening vertical relationships with customers and the concept of relational networks.

Opportunity networks integrated with customer communities represent the most dramatic scenario of change for marketing in this millennium. The provision of a consumer community focused on C2C and UGM with strong B2C dialogue scheme is the skeletal outline of the engagement step and the basic design of the engagement platform

[Table 2. Strategic Findings and Recommendations of the Engagement Step]

<p><b>Media Strategy</b></p>	<ul style="list-style-type: none"> <li>- Traditional media ranging from TV to handouts pique interest</li> <li>- A teaser ad, a certain service, powerful storytelling, eloquent images lead consumers towards lock-in</li> <li>→ Consumers cut through media clutter on their own accord by approaching the engagement platform lured by promise of information, entertainment, etc.</li> </ul>
<p><b>Brand Strategy</b></p>	<ul style="list-style-type: none"> <li>- Consumer community</li> <li>- Customer opportunity network</li> <li>→ Build a brand based on a social network and interaction: The engagement platform can become such social platforms which will consequently influence consumer loyalty.</li> </ul>

## **B. STEP 2: ENLIGHTENMENT**

- Persuading the consumer to go into a long-term commitment of time and interest.
- Persuasion will take place on the buying decision process; most importantly the information search stage.

The next step of engagement marketing is enlightenment. **This step is about taking first time engagees or early engagees and turning them into repeated visitors through a systematic process of effective communication that is both part of an ad campaign and part genuine service and value provision. To “enlighten” the consumer, engagement marketing has to find an inroad to the consumer’s mind. The best way to find this is by hitching a ride on the workings of the consumer’s mind as it goes through the buying evaluation process. Grafting the engagement marketing strategy naturally on to the buying decision process will become a learning and information gathering process of its own.** Not to mention an effective approach to the consumer’s mind when carrying a message. The latter is an important asset and strong point of the enlightenment step that underscores the relevance of engagement marketing today.

In other words, focusing on the “learning experience” part of the complex buying behavior is pointing to the information search stage of the buying decision process. Of importance to a marketer will be the major information sources to

which the consumer will turn and the relative influence each will have on the subsequent purchase decision. Consumer information sources fall into four groups (Kotler, 2000):

- **Personal sources:** Family, friends, neighbors, acquaintances
- **Commercial sources:** Advertising, salespersons, dealers, packaging, displays
- **Public sources:** Mass media, consumer-rating organizations
- **Experimental sources:** Handling, examining, using the product.

Among these sources, in general, the consumer receives the most information about a product from commercial sources – i.e. market-dominated sources – but the most effective information comes from personal sources because the latter is considered more neutral, objective and more without ulterior motives.

**Having realized that the stage of information search is what should be reflected largely in the engagement platform, engagement marketing itself should seek to become both the commercial and personal source of information for buyers. How do you achieve this? By fusing a typical corporate website with a personal networking service where consumers can create personal sources of information.**

A review of the process through which consumer arrive at a decision to purchase has many relevant points for the enlightenment stage of engagement marketing.

## **Evaluation of Alternatives**

We have seen that it is most effective to approach consumers with engagement marketing during their information search stage. But can we find a more specific link between providing carefully tailored information through a “learning experience” and the actual positioning of the brand/product in question at the top of the buyer’s option list? By understanding the basic concept of the consumer evaluation process – the process which leads consumers into deciding upon a list of prioritized product/brands – we can find a way engagement marketing can achieve this.

First, through the evaluation process, the consumer is trying to satisfy a need. Second the consumer is looking for certain benefits from the product solution. Third, the consumer sees each product as a bundle of attributes with varying abilities of delivering the benefits sought to satisfy this need. (Kotler, 2000)

The consumer develops a set of brand beliefs about where each brand stands on each attribute. The set of beliefs about a brand make up the brand image. The consumer’s brand image will vary with his or her experiences as filtered by the effects of selective perception, selective distortion and selective retention.

**Here we see an important goal of engagement marketing: building salient, positive and well-communicated brand images. When evaluating**

**alternatives, consumers use brands as pointers to the process. The engagement marketing process and the final enfranchisement stage should culminate into the creation of a strong brand image (Kotler, 2000).**

The consumer arrives at attitudes (judgments, preferences) toward the various brands through an attribute evaluation procedure. Understanding this process, this development stages is critical to understanding how engagement can best attract consumers in their natural quest for consumption.

### **Purchase Decision**

**A big merit of engagement marketing is the ability of the engagement platform to increase the chances of purchase intention parlaying into purchase decision. Attitude of others and unanticipated situational factors are the two larges interrupters of the process of buyer decision.**

The attitude of others reduces one's preferred alternative according to two things: (1) the intensity of the other person's negative attitude toward the consumer's preferred alternative and (2) the consumer's motivation to comply with the other person's wishes. (Fishbein, 1999) Unanticipated situational factors are sudden changes in the situation that built up to the purchase intention that affects the buyer in a way that the evaluation criteria is changed, thus affecting purchase intention. (Kotler, 2000)

**Through engagement marketing, these two factors are controlled. Attitude of other is controlled through strong online social experiences and reconfirmation gained through it. Unanticipated situational factors can be effectively controlled when the consumer is locked within the engagement platform.**

All in all, engagement marketing's ability to lock in consumer reduces overall perceived risk by controlling the amount of attribute uncertainty, the amount of consumer self-confidence (Bauer, 1998). Engagement platform will become the routine that consumer embark upon when they seek to reduce risk by information gathering from friends, leaning towards a preference for brand names and warranties.

### **Post-purchase Situations**

**Delivering more and better value and increasing consumer satisfaction is a fundamental goal of engagement marketing. Along with brand image, consumer loyalty is also pivotal for engagement marketing to be pertinent today and in the long-run. Managing post-purchase situations and satisfaction is an effective way to increase consumer satisfaction.** An effective way to manage this is by managing post-purchase communications. Post-purchase communications to buyers have been shown to result in fewer product returns and cancellations (Donnelly and Ivancevich, 1997). The engagement platform's main trait as an interactive, two-way medium will more than rise up to this occasion.

**In sum, engagement is about placing a value in the socialization and networking experience accumulated by consumers through a media platform managed by the company. There is value here because people will more often channel their economic activities to platforms where they are comfortable; where they have friends, a generally positive experience, and a basis of trust (Smith, 2002).**

Basically, this is all about dealing with the situations today where consumers have so many choices of both products/services and media, and a staggering amount of information, both correct and warped. There is an almost fundamental need for clearance of this information and choice. (Ravis and Kotler, 1999) Engagement marketing provides just that, and more.

**Enlightenment is the strategic core of the engagement marketing plan. This is why the follow-up to the (teaser) advertisements happens. This is where the product is explained, the competition eliminated from the consumer's list of choices, and benefits underlined. In short, enlightenment is where engagement marketing makes a logical argument for the consumer's mind.**

The "simple marketing model" now needs one more layer to encompass more of the burgeoning dynamics in today's business, and especially for the highly competitive market of consumer electronics where some of the wildest consumers reside.

[Table 3. Strategic Findings and Recommendations of the Enlightenment Step]

<p><b>Media Strategy</b></p>	<ul style="list-style-type: none"> <li>- Use non-commercial channels (family, friends, etc.)</li> <li>- Systematically increase and manage word-of-mouth</li> <li>- Use opinion leaders and early-adopters</li> </ul> <p>→ Marketing message overload is dealt with by creating a channel (or a social group/cliq) that can reach consumers in a non-commercial way that bypasses the marketing bottleneck</p>
<p><b>Brand Strategy</b></p>	<p>Branding concepts are presented to the consumers through:</p> <ul style="list-style-type: none"> <li>- Information provision</li> <li>- Experience</li> <li>- C2C/B2C Interaction</li> </ul> <p>→ The engagement platform's content is drawn out; contents that will serve the function of informing the benefits of the product but at the same time reducing this commercial objective by mixing in comparatively neutral information, etc.</p>

### **C. THE THREE STEPS OF ENGAGEMENT: STEP 3 ENFRANCHISEMENT**

- Enfranchise the consumers into the level of a “citizen”
- The vested interest of these “citizens” will lie with a strong brand.
- Increased brand equity: reduced marketing costs, bargaining leverage, buffer against price wars, etc.
- A strong brand is achieved by effective communication management: user-generated content, word-of-mouth, opinions leader management, etc.

The third step in the process, enfranchisement represents the veritable “lock-in” stage of the overall engagement strategy. To recap on a point made earlier, lock-in, according to Sandra Vandermerwe, is a state where the customer chooses to use a certain product, brand and/or service because the customer has been habituated into preferring certain product/service because of a certain learning curve which requires time and energy investment along with financial investment as well. And in cases such as these, consumer buying decision behavior dictates that customers do not willingly depart from such investment.

For consumer electronics, unlike the IT solutions that intrinsically Vandermerwe was referring to, does not naturally have a system or platform. Through engagement marketing a new foundation needs to be created. A voluntary repetition upon a self-reinforcing cycle of “enlightenment” and “engagement” to create vested interest and loyalty - enfranchisement - can be

achieved through branding. Thus, enfranchisement can be approached from 2 views: Branding and customer “citizenship.”

## **Brand Decisions**

Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect and enhance brands. Marketers say that “branding is the art and cornerstone of marketing.” The American Marketing Association defines a brand as follows:

**A brand is** a name, term, sign, symbol, or design or a combination of them intended to identify the goods or services of one seller or group of sellers and to differentiate them from those competitors.

In essence, a brand identifies the seller or maker. It can be a name, trademark, logo or other symbol. A brand is essentially a seller’s promise to deliver a specific set of features, benefits, and services consistently to the buyers. The best brands convey a warranty of quality. But a brand is an even more complex symbol. It can convey up to six levels of meaning (Kotler, 2000).

- **Attributes:** A brand brings to mind certain attributes.
- **Benefits:** Attributes must be translated into functional and emotional benefits.
- **Values:** The brand also says something about the producer’s values.
- **Culture:** The brand may represent a certain culture.
- **Personality:** The brand can project a certain personality.
- **User:** The brand suggests the kind of consumer who buys or uses the product.

Engagement marketing is strongly rooted in brand decision and brand building. Engagement is intended to improve the communication with consumers. A well-developed brand is the best method of communication and the best tool for retaining consumers. So understanding that consumers look for the above six traits in a brand, when engagement seeks to enlighten consumers and affect their buyer behavior, it should keep in mind to positively increase these 6 characteristics. **A positive shift in these 6 traits should affect buyer behavior, thus enlightening the consumer as a whole, and finally enfranchising is under a strong brand name built on these 6 traits.**

Enlightenment and influence of buyer behavior is to develop a deep set of positive associations for the brand. The question then is at which level(s) to anchor the brand's identity. One mistake would be to promote only attributes. First, the buyer is not as interested in attributes as in benefits. Second, competitors can easily copy attributes. Third, the current attributes may become less desirable later (Kotler, 2000).

**The most enduring meanings of a brand are its values, culture and personality. They define the brand's essence (Kotler and Keller, 2006) Branding is a pivotal strategic point for enfranchisement – and engagement marketing – because it provides the necessary engagement platform upon which the values of brands can be introduced and conveyed. Only after the platform has been set up can lock-in set in.**

This is going back to the value-delivery theory. Brands are another way of delivering values, most of all social benefits. Much can be observed in social benefit vehicles such as brand communities which hold considerable implications for the engagement strategy. Michael Porter's of value-delivery theory plays an important part in engagement marketing. **Engagement marketing is actuated by a flow of values and benefits – often not directly linked to the product/service itself. Thus a platform upon which these items can regularly circulate is needed. And engagement marketing is, in a large sense, essentially the delivery of value.** But the defining point is that the value being delivered is increasingly not directly related to the product being sold. More importantly, consumers are responding positively to this approach, and linking, on their own accord, these separate values to the real product.

The relationship between branding and enfranchisement has been elucidated. Now actual strategies for successful branding need to be reviewed.

## **Brand Equity**

To increase brand equity is to move up the five levels of customer attitudes toward a brand. This also coincides with the increase of engagement to enfranchisement (Kotler and Keller, 2006):

### **Levels of Engagement:**

1. Customer will change brands, especially for price reasons. No brand loyalty.
2. Customer is satisfied. No reason to change the brand.
3. Customer is satisfied and would incur costs by changing brand.
4. Customer values the brand and sees it as a friend.
5. Customer is devoted to the brand.

Apparently, brand equity building, just like engagement strategies is linked to customer satisfaction. **And according to the increase of brand equity, consumers are delivered higher values, and also highly involved to a point where there is a sense of having a vested interest in the brand/product. This is important to achieve because this is the linchpin of consumer lock-in and an important link to consumer loyalty, and enfranchisement.**

Brand equity is good to have because of a number of competitive advantages (Kotler, 2000):

- The company will enjoy reduced marketing costs because of consumer brand awareness and loyalty.

- The company will have more trade leverage in bargaining with distributors and retailers because customers expect them to carry the brand.
- The company can charge a higher price than its competitors because the brand has higher perceived quality.
- The company can more easily launch extensions because the brand name carries high credibility
- The brand offers the company some defense against price competition.

Successful engagement is good to have because of a number of competitive advantages (Kotler, 2000):

- The company will enjoy reduced communication costs because engagement has already identified, grouped and considerably muted outside noise for target consumers
- The company will be able to convey more persuasive messages because engagement has already increased the buyer's perception and readiness in their behavioral stages.
- Better understanding of the benefits, values and comparative differences of a product/brand give companies more freedom with price and often provide exits to price wars and protection against PLC.
- A powerful engagement platform with enfranchised consumers can also be a good testing ground and birthing ground for new products and a litmus paper for future developments, which is very important for the consumer electronics industry.
- Engagement offers companies some protection against multitasking consumer's lack of attention and the confusing riot of media.

**Enfranchisement for consumer electronics can be thus approached from a branding point of view. It can be said that engagement marketing, as it encompasses the branding strategy, is about increasing customer equity for the company through brand equity.** To achieve this end, engagement must

be a strategy that has branding strategies well in mind because brand management is a major tool for extending loyal customer lifetime value. Some analysts see brand as outlasting a company's specific products and facilities. They see brands as the company's major enduring asset. Yet every powerful brand really represents a set of loyal customers. Therefore, the fundamental asset underlying brand equity is customer equity. Engagement marketing is also about acquiring a set of "engaged" consumer. Because engaged does have many common denominators with "loyal," brand building is also a very effective tool for engagement building, and also an important tool because it seeks to create a set of loyal customers which is a core asset for companies.

**In the "new economy" with the fast-evolving media, the stage for branding is slowly moving to the media that is strongly influenced by consumer choice, most notably the Internet.** Through an ever-increasing number of Internet advertisements and Internet incorporated marketing campaigns which base themselves around another important keyword for today's marketing environment: interactivity. Engagement has become the buzzword for advertiser and marketers alike because it is essentially about interactivity which makes it a very persuasive strategy for today's "new media," and the Internet.

Though the Internet has thus been heralded and recognized as a powerful medium and the spearhead of the "new media," it is still relatively elusive to businesses seeking to harness its powers to their benefit, most notably: branding.

Branding – as a tenable engagement marketing strategy – needs to adapt to the characteristics of the Internet.

### **Branding on the Internet**

Branding on the web – and considering the link between brand building and engagement strategies – and engagement in today's wired world is about harnessing the interactivity of the Internet.

Meyer Berlow, America Online's head of sales, expresses the issue this way: “[the] basic method of advertising ... has been breaking and entering. I jump in front of you, amuse you a little, give you a piece of information [which] I hope will change your behavior, but that's a brain-dead mode. It worked when there were only three channels and the bathroom. Now the consumer has a million choices.”

In the digital world consumers are in control: Even if advertisers put larger, richer ads on the Web, they would likely face a consumer backlash. Those who have grown up with the Web, the kids Don Tapscott christened “the Net Gens,” are skeptical of ads in general and resentful of ads on the Web in particular.

At the same time, the almost overnight success of Amazon.com and Yahoo! say that a brand can grow and secure customer loyalty on the Web. How? Companies that have powerful brand awareness on the Web all have sites that help consumers do something. Marketers who are set on building their brands in the on-

line world have to offer consumers an on-line experience or service. “Experiences – not advertising induced perceptions – will drive brand attitudes,” says Forrester Research Inc.’s Jim Nail. The latest theory of how to do that involves something called “rational branding.” The idea is to wed the emotional pitch of tradition brand marketing with real service offered only on-line (Kotler, 2003).

**Understanding how to brand on the Internet provides food for thought for furthering the understanding of enfranchisement and its role in engagement marketing.** The Internet has proved a genuine source of branding when two important elements are added to it: experience and information. Based on the logical affinity between the Internet and engagement marketing, this finding can be automatically translated into the enfranchisement theory. Since we know that experience influences consumer behavior/perception, the incorporation of this element into marketing for the Internet is logical. The second idea of providing service as another influencer of customer behavior is important to note and compatible with engagement marketing. **The engagement platform is about providing service. So service provision, which delivers real value, information and a learning experience – is effective in influencing consumer behavior and perception.**

Up to this point, we have so far reviewed branding. Enfranchisement’s true objective of finalizing consumer engagement on the platform into a state of lock-in can be coordinate by a branding strategy that is about effective communication.

But the process of enfranchisement and its self-reinforcing pattern of lock-in require an internalized infrastructure that supports the company, brand and/or product-friendly personal inclination of consumers that through repetition and a regular set of positive strokes can be induced into consumer loyalty.

It is so easy for customers to find replacements for consumer goods, and there is more than enough information out there to easily steal customers. This is why brand loyalty is important. It leads consumer into feeling that espousing a product/brand is also part of the value gained from a product purchase because the product/brand has a positive message and image about which they feel a certain vested interest for. Consumers would also like to feel their purchase is part of a statement for that message and interest. Brand loyalty, consumer advocacy and enfranchisement are the ideal result of any marketing strategy, and engagement marketing surely places it as its third pillar.

One of the final stages of engagement marketing and one of its fundamental goals is the achievement of brand loyalty. Engagement marketing leverages today's various media elements and the characteristics of today's consumers to create one of the most attractive goals of marketing: a strong brand image and loyal following. **Engagement marketing has a lot in common with relationship marketing because parts of the strategies taken on to engage the consumer spring from the latter; such as building a long-term mutually satisfying relationship in order to retain their long-term preference and**

**business. How they get about doing this is where engagement marketing and relationship marketing start to differ.**

### **Relationship Marketing v. Engagement Marketing**

**Relationship Marketing:** Building mutually satisfying long-term relationships with key parties, in order to earn and retain their business.  
**Integrated marketing:** Mixing and matching marketing activities to maximize their individual and collective efforts (Kotler & Keller, 2006).

An important question to ask at this point is: How do you enfranchise the customer under the values, ideas put forth and communicated through the branding strategy?

**Effective branding should have communicated to necessary targets the values and other supplementary traits. The task now is to logically link these into a process of positive experience and genuine value-creation that will culminate into loyalty, advocacy and a consequent feeling of “citizenship” and “enfranchisement.”** Kotler (2003) claims that a highly satisfied customer:

- Stays loyal longer
- Buys more as the company introduces new products and upgrades existing products
- Talks favorably about the company and its products
- Pays less attention to competing brands and advertising and is less sensitive to price
- Offers product or service ideas to the company
- Costs less to serve than new customers because transactions are routinized.

These are also signs of successful engagement and lock-in. So to enfranchise a customer, customer satisfaction is key. And how is customer satisfaction achieved in this “post” phase of the purchase? Clues to achieving this can be found in the classic tried-and-tested method is customer satisfaction checkup.

Post-purchase customer checkup would be creating a real two-way medium between the customer and company in a form of relationship. This leads to a natural overlapping of concept between engagement marketing, relationship marketing and most importantly engagement marketing which is strongly rooted in C2C interaction. So for enfranchisement, there is much to be learned from relationship marketing. But also, it must be reiterated that there are clear differences between relationship marketing and engagement marketing.

Relationship marketing is about developing and retaining a customer, and so is engagement marketing. **The difference is that where as relationship marketing is about growing a customer over a series of levels: suspect, prospect, first-time customers, repeat customer, clients, members, advocates, partners; engagement marketing is about the process of locking-in the customer and reducing outside noise as to better deliver marketing messages through a series of developments in the customer’s attitude: engagement, enlightenment and enfranchisement. Thus, relationship marketing is *part of* engagement marketing.**

Relationship marketing stops at promising and delivering high-quality products/services at fair prices. Engagement marketing goes beyond this to deliver the idea, values and other innate intangible concepts that constitute both the product/service and the brand image. Relationship marketing builds strong economic, technical and social ties between the business and the customer; engagement marketing creates a platform for networking, socializing, community-building and such that is directly and indirectly focused on a certain product/service and brand and what these stand for. And these interactions are focused more on the C2C relationship with the business transition to a role of platform provider and discreet controller and infomediary. The following table will clarify these points.

[Table 4. Table of Comparison *between* 3 Marketing Strategies]

	<b>Engagement Marketing</b>	<b>Relationship Marketing</b>	<b>Integrated marketing</b>
<b>Key Constituents</b>	- Customers	- Marketing partners - Financial community - Customers	- Employees
<b>Relationship</b>	- Main: C2C - Sub: B2C	- Multilateral	- Internal
<b>Strategy</b>	- Engagement platform - Consumer community	- CRM - PRM - One-on-one marketing	Coordination across all players and aspects of marketing
<b>Goal</b>	Customer lock-in	Marketing network	Maximize joint marketing effects
<b>Follow-up</b>	- Platform maintenance - Positive strokes - Opinion leader management	- Data collection - Constant contact : Letters, surveys, etc.	- Organization innovation - Effective communication
<b>Viewpoint</b>	Business → Customer	Business → Partners* *Customers also partners	Business → Employees
<b>Comparative Edge</b>	Focused strategy for today's market environment.	Comprehensive scope	A necessary strategy when actually implementing marketing plans.

Source: Marketing Management, Kotler & Keller, 2006

The financial result and objectives are the same though: to eventually cut down on transactions costs, time, increase effective and precise communication, and create consumer loyalty. The ideal case will be that such transactions, relationship-building and engagement become so systemized and effortless that they become a matter of routine, a lifestyle. While relationship marketing seeks to make routine, consumer's consumption of a certain product/service, "engagement marketing" seeks to turn the consumption of the said items into a lifestyle created through conscious choice. This consciousness is affected in turn by brand friendly peer pressure and social status and statements created and reinforced through C2C engagement.

**Relationship marketing maintains consumer preference through tangible quality goods, but engagement marketing not only maintains consumer preference in this manner, but also creates a self-reinforcing culture of goodwill and loyalty towards the product and brand by providing both a tangible good and an intangible but clearly communicated set of values, experience and symbols that command almost a product-like presence and value in the consumers' minds. Relationship marketing is mostly about long-term, engagement marketing is about lifetime and beyond, and if some hyperbole is allowed here, the latter is about a larger context, almost about a legacy that consumers feel part of, something they are preceded by and outlasted by. All hyperbole aside, this is the epitome of engagement marketing, something to which the whole activity aspires to.**

In all senses, enfranchisement is about the creation of various types of marketing networks. A marketing network consists of the company and its supporting stakeholders (customers, employees, suppliers, distributors, retailer, ad agencies, university scientists, etc.) with whom it has built mutually profitable relationships. The importance of relationship marketing, and the imperativeness of its transition to engagement marketing is existent because competition between companies is becoming increasingly more a competition between marketing networks, with the prize going to the company that has built the better network. The operating principle is simple: Build an effective network of relationships with key stakeholders, and profits will follow. This is the formula for relationship marketing; engagement marketing is upgraded: **build an effective platform of communication and relationships with consumers turned stakeholders through interest vested via platform, and profits and loyalty and word-of-mouth will follow.**

Engagement marketing is about creating a self-sustaining system of engagement with the customer in a kind of relationship. Incidentally, relationship marketing offers certain starting points for engagement strategies.

Another important point of differentiation is that engagement marketing is not just about the contents of the interaction with the consumer, but also equally important for engagement marketing is creating, and to a certain extent, monopolizing the channel of communication between the business and the

customer. From the current B2C interaction, engagement marketing-specific points such as C2C interaction and control over the medium in the increasing media clutter. In short, the goal of enfranchisement can be achieved through the creation of a community which will be based upon and controlled through an engagement platform.

### **The Benefits Provided in Return for Engagement**

The engagement platform in the form of a community (online and offline) will combine accountable marketing, proactive marketing, partnership marketing from the relationship marketing ideas into a sort of a stakeholder marketing concept. In this concept, company check up on customers after sales and between sales and even support through out the customer's effort to effectively implement the solution which the customer intended to gain through its purchase of the company's product, will mix with an effective brand image message, community activity and networking upon a platform managed discreetly by the company to create a sense of vested interest on part of the customer. The time spent on the platform, the social capital accumulated on the platform, the positive experience and a better understanding of the values and concepts of the company's brand and product, all bound together with the steady flow of routine interaction between the customer's input and the company comprehensively creates a personal stake of interest for the customer in the company.

So what can engagement platforms look like in real life? Let us take a quick look into the earliest forms of incorporation of a proto-type engagement platform: the call center. Engagement marketing is about making the best out of every possible customer interaction, and more specifically, taking every case of interaction to increase the level of vested interest on part of the customer into the company. So that eventually the total accumulated vested interest will make it not only emotionally, but financially – in terms of energy, time and accumulated social capital – cumbersome to shift business and alliance to another company.

The Korean “Cyworld” Case: The “Dotori” system and personalized gauges created a currency in the engagement platform – not necessarily using money – to show the level of effort that the customer has spent on the platform and to clearly convey the benefits of the rise in engagement.

A successfully managed call center will offer a human face and interphase to the marketing strategy. An interaction with somebody who takes the customer’s concern and interest to heart and understands the customer is what the call center achieves when it is pitched correctly. The engagement platform will achieve this on a greater scale, with customer to customer interaction also supported and controlled by the company (Bianchi, 1997).

A decisive element of community in inducing enfranchisement is getting consumers to become investors and stake-holders. Systems that allow investment and also visualize and monetarize the time spent and interest shown can be such elements.

The process of turning consumers into such vested stakeholders – or “citizens” - is further encouraged by the circulation of benefits and values between the business and the customer and further on between customers and customers. In today’s “new economy,” information has become a virtual currency. Consumer’s media choice, and consequently product/service choice can be affected by a transaction and control of information. This is where the term “infomediary” comes in. In an electronic marketplace, with its low entry barriers, consumers will be inundated with product alternatives, product information, and multiple channel alternatives. The consumer is faced with a lot more choices and information but not necessarily with the ability to make better choices.

Thus, a major opportunity for the company is to minimize the consumer’s effort in searching for, evaluating, and negotiating the best value through provision of, evaluation and simplification of information. **Sheth and Parvatiyar (1995) argue that consumer often enter into loyalty relationship with marketer to reduce choices. The engagement strategy will screen suppliers, evaluate their products, compare and rate them, and collect information of product performance and consumer complaints.**

Information and service that can be provided to consumers to assist in choice processes can take many forms and work in many ways, the most important of which will be reviewed as follows.

## **User Generated Content (UGC)**

C2C interaction also is referring to today's important new media and marketing concept: UGC (user-generated-content) – sharing much similarity with consumer evangelism – further differentiates between engagement marketing and relationship marketing. At the same time, UGC also points to another possible development for the future of media and marketing development. And C2C community helps marketers leverage the consumer-empowering “new media” and reap the most from the opportunities created in today's flux.

## **Word-of-Mouth (WOM)**

The final stage of engagement is enfranchisement which is expressed through brand loyalty. Brand loyalty is created through a kind of relationship marketing by adding to it a more systematic community approach that seeks to involve consumer in an exclusive media channel created on an engagement platform which in turn bases itself on not just B2C interaction but also C2C interaction and UGC; with the emphasis steadily growing on the latter.

People always ask others – friends, relatives, professionals – for a recommendation. If we have confidence in the recommendations, we normally act on the referral. In such cases, the recommender has potentially benefited the service provider as well as the service seeker.

Something of a byproduct of the complete engagement marketing process, “buzz” or “word-of-mouth” is an important element when considering its influence and growing importance. Word-of-mouth’s rise in status can be attributed to the development of the advent of the “new economy.” The new economy and its disruptive dynamics have dramatically empowered non-commercial media and information channels. The biggest of these is the word-of-mouth (Howard, 2006). The influence of word-of-mouth is further augmented by another trend: the morphing of conventional manufacturing companies into a kind of hybrid service companies. Service superiority is more often reflected by WOM reviews than by other information and/or marketing efforts.

Having stated that engagement strategies are a view that reflects the increasing overlapping of service companies and product companies out of need of most manufacturing companies to meet consumer demands for products and services together, word-of-mouth development strategies is not only important to service sector but also for sectors like consumer electronics.

The chief benefits of developing referrals, or WOM sources are (Kotler, 2003):

- **Word-of-mouth sources are convincing:** Word of mouth is the only promotion method that is of consumes, by consumers, and for consumers – the consumer to consumer interaction that will happen on the engagement platform. Having loyal, satisfied customers who brag about doing business with you is the dream of every business owner. Not only are satisfied customers repeat buyers, but they are also walking, talking billboards for your business.

- Word-of-mouth sources are low cost: Keeping in touch with satisfied customers and making them providers costs the business relatively little – which will offset the initial high costs for engagement marketing, most notably the set up of the engagement platform. The business might reciprocate by referring business to the referrer, or by giving the referrer enhanced service or a discount, or by offering a small gift.

**Of importance to engagement marketing strategy is the necessity for the “opinion leader.”** Word-of-mouth can largely be considered a spontaneous and natural phenomenon. Yet these spontaneous, viral effects need an initial trigger which can be achieved through the influence exercised by opinion leaders or early adopters. Engagement marketing’s C2C community approach can easily create, find and nurture – according to necessity – these opinion leaders/early adopters on its engagement platform. The 2 step engagement marketing process, create a ready audience and evangelists for these opinion leaders.

Although personal communication is often more effective than mass communication, mass media might be the major means of stimulating personal communication. Mass communications affect personal attitudes and behavior through two-step flow-of-communication process.

Ideas often flow from radio, TV, and print to “opinion leaders” and from these to the less media-involved population groups – this flow is important for the engagement marketing argument because it helps increase the scope and reach or engagement beyond very tech-oriented and wired people. This two-step flow has several implications.

First, the influence of mass media on public opinion is not as direct, powerful and automatic as supposed – and more so with the “problem set” that gives birth to engagement marketing. It is mediated by opinion leaders, people whose opinions are sought or who carry their opinions to others.

Second, the two-step flow challenges the notion that consumption styles are primarily influenced by a “trickle-down” or “trickle-up” effect from mass media. So giving more fuel for the importance of engagement marketing which focuses on facilitating and managing natural social interaction on a controlled platform – people interact primarily within their own social group – so social group should be moved/created on the engagement platform – and acquire ideas from opinion leaders in their group.

Third, this two-tiered communication suggests that mass communicators should direct their messages specifically to opinion leaders and let them carry the message to other (Rogers, 1999; Herriott, 1992). Creation and/or identification of these opinion leaders and placing them in a position of influence is achieved through engagement marketing then social networking opportunities provided by the marketing strategy naturally evolves a streamlined, hierarchical social system upon the engagement platform with opinion leaders at the head and less motivated consumers in pursuit.

Thus communication researchers are moving toward a social-structure – basically engagement platform seeks to replicate this – view of interpersonal communication (Rogers, 1999). Clique members are similar, and their closeness facilitates effective communication but also insulates – this is important for today’s environment – the clique from new ideas. **Engagement needs achieve a certain level of “clique,” i.e. insulation.**

Marketing author Michael Cafferky’s Word-of-Mouth Marketing Tips Webs site offers many suggestions on how to build a network of referral sources on the engagement platform:

1. **Involve your customers in the process of making or delivering your product or service:** This personal experience creates positive feelings that lead them to talk about your business – because experience affects buying behavior and also helps build brands.
2. **Solicit testimonials from your customers:** Testimonials, – another important customer-to-customer interaction method – once you get them, serve as silent sales force that you have complete control of. They speak in terms that other customers understand and easily relate to. One strategy to use to get a testimonial is to use a customer-response form that asks for this type of feedback (and permission to quote it) – which further strengthens the argument for a strong channel of interaction as and engagement platform.
3. **Tell true stories to your customers:** In the light of the argument that more effective engagement strategies are based on the method of storytelling, not persuasion – stories are the central vehicle for spreading reputation because they communicate on an emotional level.
4. **Educate your best customers:** Education and (any) information dissemination and sharing (e.g. the increasingly business-viable YouTube), as an experience which helps build word-of-mouth; and especially in today’s technology world branding needs to provide actual value and service to consumers like Yahoo! – some companies have found that if

they educate their best customers about anything of interest, their loyalty and goodwill are enhanced. You can pick any topic that is relevant to your best customers and become the source of credible, up-to-date information on that topic. One specific new way to educate your customers is to include this information on your Web site.

5. **Offer fast complaint handling to customers:** Further argument for the importance of creating and maintaining a viable interactive/feedback channel as engagement platform – a speedy response is vital to prevent negative word of mouth from starting because negative feelings about a product or service may linger for years.

Point 4 has been covered in the review of word-of-mouth. Point 5 – further reinforced by survey finding – necessitates a second look because it is not only an important strategy for consumer satisfaction, but also a relevant clue to how a real-life engagement platform will look like.

[Table 5. Strategic Findings and Recommendations for the Enfranchisement Step]

<b>Media Strategy</b>	<ul style="list-style-type: none"> <li>- The Internet is the media of choice and habit for the majority of the multitasking consumer set.</li> <li>- The engagement platform will typically take on a web-based infomediary approach.</li> <li>→ The platform that give consumers benefits (experience, information, socialization, etc.) in exchange for vested interest and time, will enfranchise the consumer into an insulated institution that makes it easier to approach for the consumer and easier to manage for the company.</li> </ul>
<b>Brand Strategy</b>	<ul style="list-style-type: none"> <li>- The key is WOM and social interaction management since CE companies are increasingly affected by the service they provide, and service provision evaluation mostly affected by people networks.</li> <li>→ A repeated positive experience that is organically positioned within a branding strategy can be achieved through the use of a web-based engagement platform which effectively enfranchises the consumer under a brand, thus assisting in reducing choice options for consumers, reducing the rate of consumer turnover and increasing the cost of changing brands for the consumer.</li> </ul>

## V. CONCLUSION: Findings & Recommendations

- The engagement platform is the technical foundation for engagement marketing.
- The platform can be both online and offline, or a mixture. But it has to be a hub.
- The most hassle-free prescription for a platform would be renovating the old corporate website idea and incorporating it with strong engagement-related aspects of today's emerging media.

The background of the need for engagement marketing has been evaluated, and a framework idea of the “what” and “how” of this strategy has been reviewed. Yet, as engagement marketing is still in its formative stage, developments in real-life economy can further elucidate the perimeters of engagement marketing. Watching developments in advertising trends, new measures for advertising effectiveness, coupled with an understanding of the flow of people and investment dollars to certain media can provide a tangible touchstone for engagement marketing. **The engagement platform as the fundamental concept of engagement marketing has some real-life examples and a review of these can help further the understanding of engagement marketing and provide future coordinates for its consolidation as a practical marketing concept.**

**Engagement is about paving a road to the consumer and the consumer's mind so that the company can reach the consumer more**

**efficiently and effectively, and the consumer can also reach the company with feedback, suggestions, etc.** In comparison, marketing of the traditional sense was like shooting a flare and leaving it up to the consumer's to find the product/service, or sending out sale forces and executing marketing plans en masse like troopers hacking through the jungle with their machetes. In comparison, just like a road, engagement creates a reusable channel of bothway communication between the company and the consumer, and the benefits of having this channel is that this allows the company to create a controlled environment where companies can control the variable and factors affecting marketing and consumer behavior. The control is further strengthened into a recyclable system with the creation of a C2C community around channel: interest, loyalty on part of the consumer, timely positive strokes, maintenance and strategic innovation on part of the company, build a sustainable "eco-system-like" paradigm of consumption for the company's products. This is the ideal goal for most any consumer products/services company.

In a nutshell, engagement marketing hinges itself on grabbing attention, and sustaining it by relaying the initial curiosity to a platform of involvement that enfranchises the consumer to a product/company-friendly culture. The platform should also double as a quick buying portal for the consumer's to raise the actual consumption rate of the "enlightened" individuals. An important aspect of engagement is that companies take consumer reaction seriously and actively respond to it. Consumers today have big egos. Egos have to be incorporated into

the marketing mix. C2C involvement accommodates for such egos and egos can be leveraged into opinion leaders.

The point of engaging consumers and potential consumers through a bothway communications platform is to find that slice of early adopters and early consumers who can create the buzz, thus help in partial recuperation of the company's investments. A strong reaction from the early-adopters creates a positive outlook with regard to a proportionate, larger consumption. This will help companies hang on and wait for the larger population to catch on. (*Calling up Korea's savvy*, 2006)

So is engagement a purely technology and Internet oriented concept? On the contrary, engagement – just as its dictionary definition states – also means the intertwining of cyber and traditional media to create a synergy effect both online and off line.

The multitasking consumer does not multitask just on the web; they flow ceaselessly between online and offline media and activities because multitasking means that people are more at ease and freer to choose a personal combination of media and control the information that they receive from those media. **So the methodological point of engagement is to create a planned route of consumer movement with a controlled set of stimuli that can decrease the chances of the consumer moving away from the ideal route created by**

**covert markers which are all part of the overall marketing effort to communicate values and products to the consumer and also receive the most of the feedback.**

It is a common understanding that even the most popular and engaging products and services need to update themselves to the changing media environment and the consumer. With so many options and powerful technology consumers slip in and out of the range of a company's marketing effort, so throwing the marketing Like breadcrumbs purposely dropped to mark a trail, the marketers dealing with multitasking, seasoned consumers of the new economy must be very adept at dropping well-calculated cues and stimuli that are both overt and covert so as to wear a path in the consumer's mind a predictable path of media activity, media platform use and consumption pattern that basically amounts up to the concept of engagement for marketing consumer electronics for today and the future. This includes not just a simple addition of a website to the list of potential media outlets for a marketing effort, but an organic and strategic incorporation and positioning of all media outlets – both tradition and innovative – available today with a focus on interactivity (*Trading-card game links to web*, 2006).

Where and how does engagement fit in to today's market? According to Kotler's model, the sellers and buyers who constitute today's market are connected by four flows: communication, goods and services, money and

information. Engagement can systemize this interflow and lock-in the customers by creating a platform. Engagement is launched first by shifting the focus of the flow from the seller from communication to information. **Sellers marry the communication objective of their marketing plans to a set of information the consumer is interested in, thus improving receptivity and effectiveness, and most of all the rate of repeated encounter with the information and communication message which is becoming evermore harder to achieve in today's economic and media environment.** Locked within an engagement platform, the fundamental business transactions go beyond single-tier, one-shot transaction of goods or services for money: the transaction between seller and buyer has become multi-layered and conducted in various formats. For example, buyers will often pay a premium for a better buying experience, a favorable brand image which they seek to imprint on their own selves. A take on the growing presence of marketpace which is the digital version of the marketplace, the engagement platform incorporates key attributes of the marketpace; a fusing of a platform for business transaction into a platform for marketing.

Looking for an example of engagement marketing leads us to a career consulting website mixed traditional TV ad spot with the address to its website and launched on the site a quirky e-mail system for visitors where they could send customized messages starring the funny characters and contents from the TV ad. Since its launch in late January of this year, the e-mail has been sent 35 million times. This is every advertiser's and company's dream coming true, when

people voluntarily invest their time and spread the word through their own effort. There is also an advertising campaign that managed to persuade consumers thus was Norelco's Bodygroom, hair-removal device for men. Talking posters at urinals in New York City bars and 13-inch rulers with the "shaveeverywhere.com" address helped build the necessary buzz for the product. After a little nudge, in the form of a short referral by a famous satellite radio DJ, more than 600 blogs were buzzing about the said product (Howard, 2006).

Advertisements today for the large part choose the Internet as the place to set up an engagement platform. But this must not lead one to conclude that engagement platforms mean Internet web pages. This would be a rash generalization of a certain aspect of the engagement idea because as mentioned in the case study section, the underlying bedrock of engagement is the idea of a hub. This meaning that anything that can act as a centralizing force for the bothways interactivity signified by engagement strategies, and as a clearinghouse for information exchange, and a support link for various technology-based tasks, can be viewed as an engagement platform. Today's video game consoles, digital music players, anything that can be a hub for engagement related activities, can be considered an engagement platform. Now, what would be the findings and recommendations for the foundation of engagement marketing, the engagement platform?

## **CORPORATE WEBSITE AS AN ENGAGEMENT PLATFORM**

Engagement marketing can take various forms, many variations. This room for variety notwithstanding, engagement platform – as the anchor of the overall engagement marketing strategy – does have a certain format that is arguably more likely to achieve the objectives of engagement. As was palpable in the undercurrent of the survey findings and the literature review, engagement platforms should more often take on the role of the infomediary, and in form, the Internet-based form will be a more persuasive suggestion.

The survey “Marketing for the New Economy: Consumer Attitudes Towards Internet-based Engagement Marketing” points to the Web-based engagement platform solutions for the new economy as follows:

- Multitaskers react positively to a C2C interaction
- There is increased dependence upon online sources for information
- Word-of-mouth (WOM) and non-commercial channels are very persuasive
- Internet is the most effective vehicle for reaching this age group
- Infomediary websites (corporate websites) can increase “engagement”
- Prefer a systematic “platform-based” approach in marketing
- Incorporate management of post-purchase issues into engagement platform

Most consumer electronics companies already have in place a corporate website. But more often than not, the websites fail to engage the consumers. Yet an overwhelming percentage of today's consumers use the Internet as a main source of information and place high credibility upon information coming from blogs, online community sites, etc. The demand is strong and continuously increasing for a dependable, engaging source of information based on the Internet. But unlike the current batch of blogs and consumer websites that are often outside the direct influence of companies, the corporate website presents the obvious upside of having the consumer within the realm of influence of the company. But when it comes to the popularity of these websites, the numbers pale in comparison to the fame enjoyed by other blogs and product review sites not directly affiliated with a consumer electronics company. From the survey, and the literature review, it is possible to come up with an initial diagnosis of the corporate website's lack of a comprehensive engagement strategy centering on the prescription for the implementation of an infomediary platform supporting peer interaction and post-purchase issue management.

The current of consumers surging to the Internet for information, entertainment and socialization demands that companies understand their needs and behavior, reflect it in their website's contents and format to ultimately achieve a consumer lock-in state. Consumer lock-in is needed for today's media situation, proliferation of multitasking, etc. **Today's multitasking consumer is led to the corporate website through a mixture of relevant information and an**

**intriguing ad campaign that places the corporate website visibly and logically within the overall marketing strategy as a central point of gathering for consumers to gain information, find entertainment and experience positive social interaction with people of similar interests. Once again, of the various representative traits of the new economy's consumer, their high value of information and desire for finding people of similar tastes and views has pointed out a viable strategy that can woo these consumers.**

Once consumers have realized, superficially understood and experienced a well-planned and controlled engagement experience upon the platform, the door to their becoming regular visitors has been successfully opened. And for this to actually happen, the incorporation of the consumer community concept on the engagement platform, and a systematic channel of genuine interaction between the company and consumer – especially in the field of post-purchase issue management – can act as very strong catalysts for consumer lock-in. It should also be kept in mind that a C2C socialization as a marketing option need not be as expertly laid out and intense as something like MySpace.com or Cyworld.

**Information that is provided by both the company and by other users/consumers, along with a company provided platform of peer interaction and info-sharing, and the provision of a dependable channel of communication with the company concerning both information and post-**

**purchase issues are all elements that can be realized upon a corporate website.** With the current universality of the corporate website policy for most all the consumer electronics company, it is safe to say that the engagement platform can make great use of this Internet-based format already in place. Not to mention that a large number of the target consumers are already locked into the Internet, so the task has is to find out how to channel these consumer towards a platform that has been revamped into containing certain elements and contents of interest to the consumer that have been proven to be good lures. The importance of this task has been argued for and discovered through the survey and literature review of this thesis.

In the process of turning corporate websites into veritable engagement platforms, much can be learned from certain media formats and websites that have achieved the ideal state of consumer engagement.

### **Emerging Media**

- Digital Magazines: Magazines available only on the Internet. Cheaper to start up and operate than print.
- Interactive TV, wireless information on demand, etc.

Engagement platforms are an interactive infomediary platform for socialization and experience, and when reflecting upon the trends of the new media in this light, the ballpark for engagement platform is clearly in the Internet.

**It is natural to ask at this point, why is the Internet a logical choice of the place for the engagement platform?**

**The answer can be found in the fundamental nature of the Internet and communities based on the Internets. For example, the Internet community is defined as a “feeling of membership in a group, along with a strong sense of involvement and shared common interests, ... [that] creates strong, lasting relationships through an engaged and extended exchange of views focused on ... [the] shared interests, ... that contains individual involvement, [and that] can help encourage [consumers] to return to a Web site.” (Rayport & Jaworski, 2002)**

**Distinctive features of a healthy web-site that is successfully functioning as an engagement platform are as follows (Rayport & Jaworski, 2002):**

- **Cohesion:** A sense of belonging in the community
- **Effectiveness:** Affected by membership in the community
- **Help:** Personal support from the community
- **Relationship:** Opportunity for interaction and friendship in the community network
- **Self-regulation:** How members manage or regulate their interactions on the Website

**These features facilitate community members’ emotional experience, their fulfillment and sense of inclusion, and the influence they have in a Internet-based community.**

And since media selection involves finding the most cost-effective media to deliver the desired number of exposures to the target audience, the Internet is the match for engagement marketing, and more so when viewed from the larger idea of dealing with the challenges of the new economy.

Now, what do we mean by the desired number of exposures? Presumably, the advertiser is seeking a certain response from the target audience – for example, a certain level of product trial. The rate of product trial will depend, among other things, on the level of audience brand awareness – once more underscoring the importance of engagement marketing’s ability to grow brands.

Media planners make their choice among media categories by considering the following variables:

- Target audience media habits
- Product
- Message
- Cost

For consumer electronics, engagement marketing is better off using the Internet as a vehicle. The Internet means high selectivity, interactive possibilities, relatively low cost. Relatively new media with a low number of users in some countries. But that’s OK because the brand built through opinion leader countries will spill over to these countries.

Rust and Oliver (1994) see proliferation of new media as hastening the death of traditional mass-media advertising as we know it. They see a greater amount of direct product-consumer interaction – engagement – with benefits to both parties. Producers gain more information about their consumers and can customize products and messages better; customers gain greater control because they can choose whether to receive an advertisement message or not.

Why is the Internet becoming so attractive to certain advertisers? The reason is that, increasingly, consumers would rather visit cyberspace than sit through a sitcom or watch their team lose again (Dreze & Zufryden, 1998)

**Big companies and investors are now onboard this idea of creating a seemingly harmless, sometimes even apparently non-profit platform of information exchange, social networking as a vehicle to get desired messages out to target consumers and early adopters in hopes of creating a buzz, facilitating consumption, receiving feedback and nurturing consumer loyalty.**

## YouTube and UGC Sites

A good example of this would be today's various UGC and infomediary (sharing) sites. Time Warner, former Walt Disney Co. chief Michael Eisner and NBC Universal have another thing in common today besides their undying effort to claim spots in the consumer's unwitting mind through media contents: investment in online video hosting sites. (*YouTube has big visions for site, 2006*)

What do these media heavyweights see in this mayhem of low-quality video clips ranging from homevideos, wannabe stand-up comedians to super star Ronaldinho's fabulous footwork and a review for a Nokia phone? It is exactly this lawless frontier of ultra-competitive video clips vying for the attention of a millions of visitors (12 million in May, 2006, YouTube), number of clips, and an upload rate of 60,000 clips and a view rate of 70 million a day. No medium better represents the mayhem of and splintering of tradition media outlets than these Internet video service sites represented by YouTube and Veoh (in Korea, search engines do most of the video services). These media are now out to provide an economically viable answer that shows that this chaos can be channeled to serving a purpose for companies than these two companies, especially YouTube. And the investors are listening, checkbooks in hand. (*YouTube has big visions for site, 2006*)

Going back in time for a bit, it should be noted at this point that the Internet itself was originally built off the concept that providing information to users free of direct charge was economically viable. On the same note, for much of the past decade, the natural evolution of text information to video content on the Internet was on much of the large media and technology companies' top priorities. Google Video and Yahoo have a video clip site of its own, but engage substantially less viewing and user traffic. In comparison, YouTube has an enormous following, a substantial segment of potential customers not yet tapped as a group.

But since YouTube got its boost as being a nonprofit, edgy, alternative source of media and information that clearly benefited from an uninterested third person approach to its content, the question of whether the current popularity of YouTube will continue should the company transition to a serious business is a valid point. But YouTube's file-sharing model has touched upon a business vein that is increasingly appreciated by companies such as Nike and NBC.

The former posted a clip of its superstar endorser Ronaldinho on the site to generate interest, create awareness and in general engage its target consumer set. The latter is pursuing the marketing opportunity created by YouTube more aggressively by actually creating a channel on the site for showing promotional video clips of its popular shows, and YouTube is taking the opportunity to a more engaging level by holding a competition for amateur mockup video clips of those

shows. Even movie trailers and performance clips from music are uploaded often times by the very creators to test ideas and generate buzz.

**The hope of YouTube investors is to systemize this trend so that media companies and marketers will see the website as a legitimate means of distributing content with revenue and promotional payoff, and furthermore, a bothways, engaging consumer approach that is evermore needed in marketing products to today's consumers.**

YouTube has substantial implications as a marketing strategy for consumer electronics. The Internet based YouTube model's synergy with important social networking sites such as MySpace.com, links to blogs and mentions in various influential special interest sites, has created a powerful model which companies seeking to create a tool for sustainable engagement can design their own marketing and information vehicle. As argued throughout this thesis, it is not enough to just talk to the consumer. They must be "engaged."

At a time when many marketers are even questioning the economic sense of hosting a corporate website, **YouTube signifies a positive preliminary diagnosis of the power of a bothway media platform that engages people on both the business level, and the social level.** Andrew Lin, vice president for interactive marketing at Paramount Vantage says: "As a marketer, you almost can't find a better place than YouTube to promote your movie."

A concept that should be kept in mind when promoting engagement in marketing is to promote the intoxicating idea of “choice” for consumers. Gathering information before a purchase is linked to the fact that information helps consumer control their consumption, allowing them the freedom of choice which is evermore important in the area of consumer electronics. When consumers choose to view a video clip on YouTube, enjoy it, and after becoming charmed by it set out to create their own homemade version of that clip to post on the site; this is genuine feedback, positive identification and message reinforcement, all meaning that the potential consumer’s attention and mind has been claimed upon with the least amount of backlash from the consumer, because the consumers “chose” to behave this way. In addition, the consumer will now consider actually viewing the whole show from whence the clip actually came from, this being the very consumer behavior for which businesses have thrown millions of dollars in various persuasive, unilateral approaches which have proved only increasingly frustrating in inducing a higher rate of reaction, loyalty and all the things which two-way media like You-Tube excel at.

Not only that, YouTube is also naturally embedded into the increasingly converged communication and media technology and devices as it moves fluidly from blogs, social networks to mobile phones and PDAs: consumers can now submit videos from their mobile phones, and the company is in the process of creating access to the site from mobile devices.

This media platform to woo and maintain consumers is making business sense. The question is then, how this can be incorporated into a marketing scheme when the first goal of the platform is to convey a message, not simple sharing? How can the message be embedded in the services and activities of the platform but not get lost in it? **Marketing through engagement is basically about controlling and channeling information, consumer behavior, and feedback and brand loyalty through an intermediary tool.** Innovators and early adopters need to be wooed, and the mass market appeal needs to be generated, because it must not be forgotten that at the end of the day, to sell the product and create brand loyalty is the goal of creating this media platform.

### **Blogs, Online Gaming and Such Online Socialization**

Even traditional business people are seeing a seemingly harmless and almost holistic bothway medium such as a blog that has no clear signs of business interest can be a viable business in itself. Investors are bringing in good money into blogs with large followings, a sure sign that simple information dispersion and elementary feedback facilities of a blog can indeed link a group of specified potential consumers to a business matrix. ("Turning blogs into business is a big story for journalists," 2006) **Companies seeking to market products should systematically incorporate this model of communication as a marketing method: set up a company sponsored blog that does not have a clear business-oriented sign on the surface but acts as a bothways**

**communication portal that helps companies attract, control and channel consumers and potential consumers towards loyalty and actual product consumption.**

**What is of value to note here is the breadth of reach, the power of persuasion and the ease of control and user/consumer lock-in blogs represent. This is a great match for “engagement marketing” strategies**

Another important aspect that must be understood and leveraged to create genuine engagement is the social experience that comes with creating a media platform.

PlayStation and Xbox have quickly understood the value of providing this and that the easiest approach to providing it is creating a controlled environment on the web that can also double as a Petri dish for the company’s various marketing and product experiments; their most recent versions of video game consoles all promise access to the Internet. (*Virtual sales are very real to Sony, 2006*) And the surprising popularity of massively multiplayer online games (MMOGs) that has been attributed for the large part to the social experience this game form allows. When players are allowed to chat with each other, the experience equals to an additional value to buying membership and playing the game. This additional value often times acted as the comparative difference which further propelled MMOGs to its status today. (*EA buys Mythic to expand profile in online games, 2006*).

Social experience is another facet of engagement; albeit the consumer is not directly engaged to the company or marketing stimuli dropped by the company, but definitely an engaging link that more than its task of making the consumer return to the media platform, thus heightening the chance with each return the chance that the consumer might actually buy, continue to use, and update the product or service that the marketing efforts are pitching.

PricewaterhouseCoopers has forecasted Internet will be the fastest-growing advertising medium for at least the end of the current decade. Online ad spending will grow at an annual rate of 18% and is expected to reach \$52 billion in 2010 (online ad spending was \$12.5 billion 2005). Ad spending in general will increase at a 6.2% compounded annual growth rate to \$521 billion in 2010. (*Ad spending seen rising to \$521 billion in 2010, 2006*).

The in pouring of money alone does not by itself justify efforts to develop both a new marketing concept and strategy. Yet, what the idea of engagement has brought to surface as it manifests itself in today's "new economy" is a natural development of the business model to a more consumer and individual oriented format. Technology is receiving the most credit for this development, and technology development has always been disruptive.

Large parts of the traditional marketing strategies are being disrupted. The biggest of it being the time-deficiency and lack of attention on part of the

consumer. The tables have turned and it is the consumers that are increasingly in charge of deciding what marketing efforts that they will consider reviewing. Marketing has always been a question of who can say the most effective message. If today's consumer is an expert at playing hard to get, then marketing has to focus now on not just effective messages, but effective communication strategies. Engagement marketing will help companies find a track to the consumer's mind and turn it into a retraceable system through the creation of engaged consumers and a strong, enfranchising brand.

## **APPENDICES**

## APPENDIX A

### SURVEY & FINDINGS

**TITLE:** “Marketing for the New Economy: Consumer Attitudes Towards Internet-based Engagement Marketing”

(Survey Period: August 14 – 28, 2006 (2 Weeks))

**OBJECTIVE:** To complement the thesis’ extended use of American literature by finding out basic characteristics and values of the Korean generation in their teens up to thirties, their expectations for today’s consumer electronics firms and their attitudes concerning marketing that seeks to involve consumer interaction (i.e. engagement marketing).

**SUMMARY:** Of the total of 203 respondents, demographics 100% was spread across people in their teens to thirties. Koreans in this demographic section exhibited the typical Generation Y, Net-Gen characteristics and trends of the New Economy described in the literature reviewed in the main body of the thesis. The Korean respondents also placed importance on their egos, choice, information and social interaction. **The majority of these people possessed multiple portable consumer electronics and engaged in multitasking. The Internet was the overwhelming choice of source of information, with non-commercial reference channels having the most credibility in their buying**

**decisions. The respondents also showed strong positive inclination towards the provision of a platform for social interaction (both B2C and C2C) and finding information from consumer electronics firms which in cross-evaluation provides substantial clues to the link between engagement marketing and the increase of actuation consumption.**

## **LIMITS**

The limits to this survey are two-fold:

17. A limited age group meaning that the traits of this age groups cannot be compared to a different age group through the same questionnaire
18. A more expansive data source could strengthen the findings, especially the cross evaluations.

### **※ Net-Gens (Tapscott, 1997)**

Aptly called the “Net-Gens,” the defining trait of this group is their affinity to digital technology in any form as a natural medium of interaction, information gathering and life. The highly evolved, speed oriented, individual-oriented traits of digital technology are reflected in their minds as follows:

1. Options are a must – choice is one of their most deeply held values.
2. Customize to meet their needs. These are the people and kids who build their own levels in video games and write their own Web pages, and they want things their way, fast.
3. Let them have the option of changing their minds. They’re growing up in a world where fixing mistakes takes a stroke of the mouse, and they believe that changing their minds should be equally painless.
4. Let them try before they buy. They’re users and doers. They reject expert opinion in favor of forming their own.

※ **Generation Y (Lawrence, 1999; Irvine, 2001)**

The following are traits often associated with Generation Y (Americans born between 1977 and 1999):

1. Optimism and big expectation for the future
2. An obsession with achievement
3. Technological savvy
4. Greater acceptance of racial and ethnic differences
5. Media savvy
6. Busy schedules
7. Higher levels of stress
8. A heightened ability to multitask
9. A strong sense of community and teamwork
10. A wish to make money, but a need to give back
11. Emphasis on immediate gratification
12. Suspicious of advertising

※ **Trends of the “New Economy” (Kotler 2003)**

1. Anchoring
2. Being alive
3. Cashing out
4. Clanning
5. Cocooning
6. Down-aging
7. Egonomics
8. Fantasy adventure
9. Female think
10. Icon toppling
11. Mancipation
12. 99 lives
13. Pleasure revenge
14. SOS (Save Our Society)
15. Small Indulgences
16. The vigilant customer

## KEY FINDINGS

### Demographics

<b>1. Age</b>		<b>(Unit: year, person)</b>
(1) 20 or less		32 (16%)
(2) 21 – 29		140 (69%)
(3) 30 – 39		31 (15%)
Total 203(100%)		

<b>2. Gender</b>		<b>(Unit: year, person)</b>
(1) Female		114 (56%)
(2) Male		89 (44%)
Total 203(100%)		

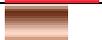
<b>4. How many portable electronic items do you carry on average?</b>		<b>(Unit: person)</b>
(1) 3 or more		49 (24%)
(2) 1 – 2		151 (74%)
(3) Do not carry		1 (0%)
(4) Do not own		2 (1%)
Total 203(100%) (E.g. Cell phones, MP3 players, PMPs, etc.)		

## Characteristics of Net-Gen and Generation Y in Korean Group

6. Expression of individuality		(Unit: person)
(1) Express it always		51 (25%)
(2) When possible		90 (44%)
(3) Sometimes		50 (25%)
(4) Only in thought		7 (3%)
(5) Never considered		5 (2%)
Total 203(100%) (Individuality: Uniqueness, ego-driven traits, etc.)		

7. Does your consumption express your individuality?		(Unit: person)
(1) Always		34 (17%)
(2) Often		100 (49%)
(3) Sometimes		54 (27%)
(4) Rarely		13 (6%)
(5) Never		2 (1%)
Total 203(100%) (Individuality: Uniqueness, ego-driven traits, etc.)		

8. Are you interested in new products/technology/trends, etc.?		(Unit: person)
(1) Always		50 (25%)
(2) Often		94 (46%)
(3) Sometimes		48 (24%)
(4) Rarely		10 (5%)
(5) Never		1 (0%)
Total 203(100%) (The level interest considered as gauge of an early adopter)		

11. Choose the values that are important to you.		(Unit: person)
(1) Choice		136 (18%)
(2) Information		142 (19%)
(3) Socialization		141 (19%)
(4) Freedom		111 (15%)
(5) Involvement		63 (9%)
(6) Achievement		87 (12%)
(7) Sharing		61 (8%)
Total 741 Responses(Multiple answers allowed)		

## Korean Multitaskers

12. Which of the following do you use the most?		(Unit: person)
(1) TV		9 (5%)
(2) Internet		111 (56%)
(3) Cell phone		76 (38%)
(4) Radio		1 (1%)
(5) Portable music players		3 (2%)
(6) Portable media players		0 (0%)
(7) PDAs		0 (0%)
Total 200 (100%)		

14. How often do you multitask?		(Unit: person)
(1) Always		42 (21%)
(2) Often		96 (48%)
(3) Sometimes		62 (31%)
(4) Never		2 (1%)
Total 203(100%) (Multitask: Refer to definition in thesis)		

16. When buying CE, which information channels do you trust?		(Unit: person)
(1) Traditional media (TV, paper, etc.)		42 (21%)
(2) Online communities, blogs, etc.		97 (49%)
(3) Corporate websites		12 (6%)
(4) Family, acquaintances, co-workers, etc.		46 (23%)
(5) Advertisements		2 (1%)
Total 199 (100%) (CE: Consumer electronics)		

## **CROSS EVALUATION**

Cross evaluation of the survey results provides insight into a variety of issues, most importantly:

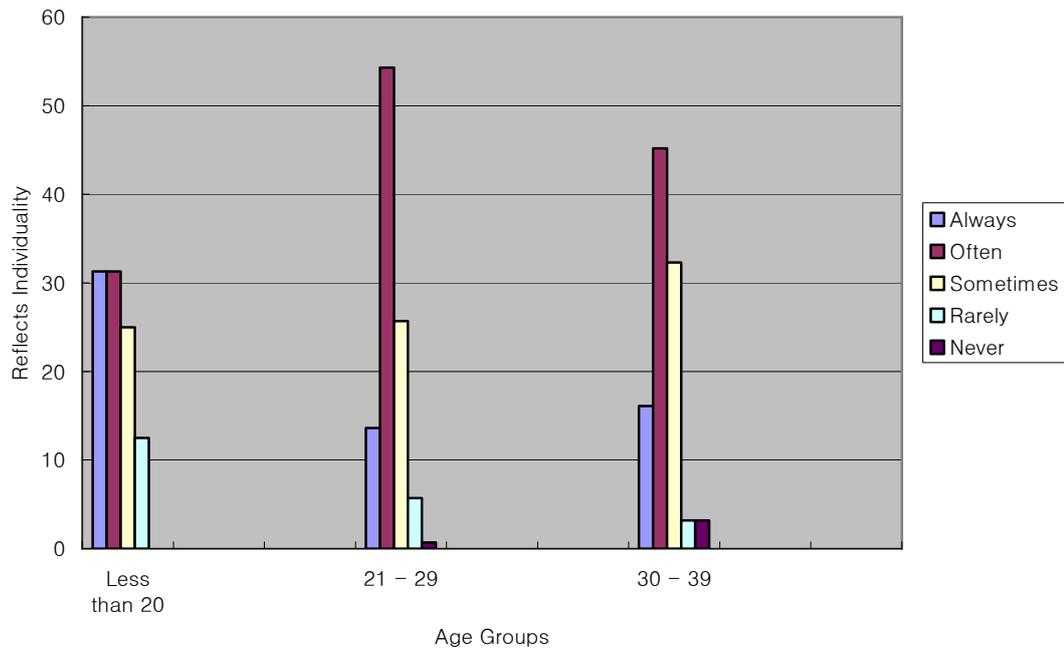
- Traits of Korean multitaskers (Net-Gen, Gen Y and New Economy)
- Preferences of Korean multitaskers
- Link between engagement and engagement-related strategies to actual consumption by multitaskers

### **Traits of Korean Consumers (Age Group: Less than 39)**

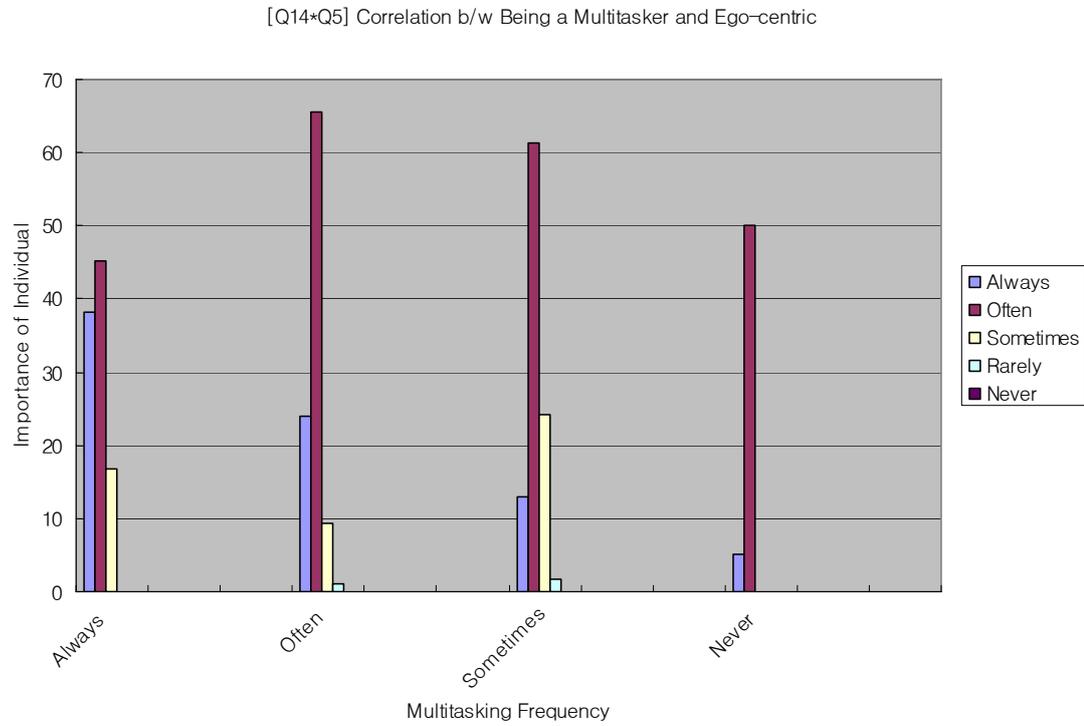
- Multitaskers are more often opinion leaders and early-adopters
- Believe that consumption can be a method of expressing individuality
- React positively to a C2C interaction
- Increased dependence upon online sources for information
- Word-of-mouth (WOM) and non-commercial channels are very persuasive
- Internet is the most effective vehicle for reaching this age group
- Infomediary websites (corporate websites) can increase “engagement”
- Early adopters (within this age group) are opinion leaders and a majority of them are also multitasker
- Prefer a systematic “platform-based” approach in marketing
- Incorporate management of post-purchase issues into engagement platform
- (Holding that engagement marketing incorporates concepts of WOM, C2C interaction and an infomediary platform) Multitaskers reacted positively to engagement marketing and also responded that actual purchase rates are positively affected by engagement marketing

## Korean Consumers Believe Consumption Can Reflect Individuality

[Q1\*Q7] Korean Consumers (Less than 39) Believe Consumption Reflects Individuality

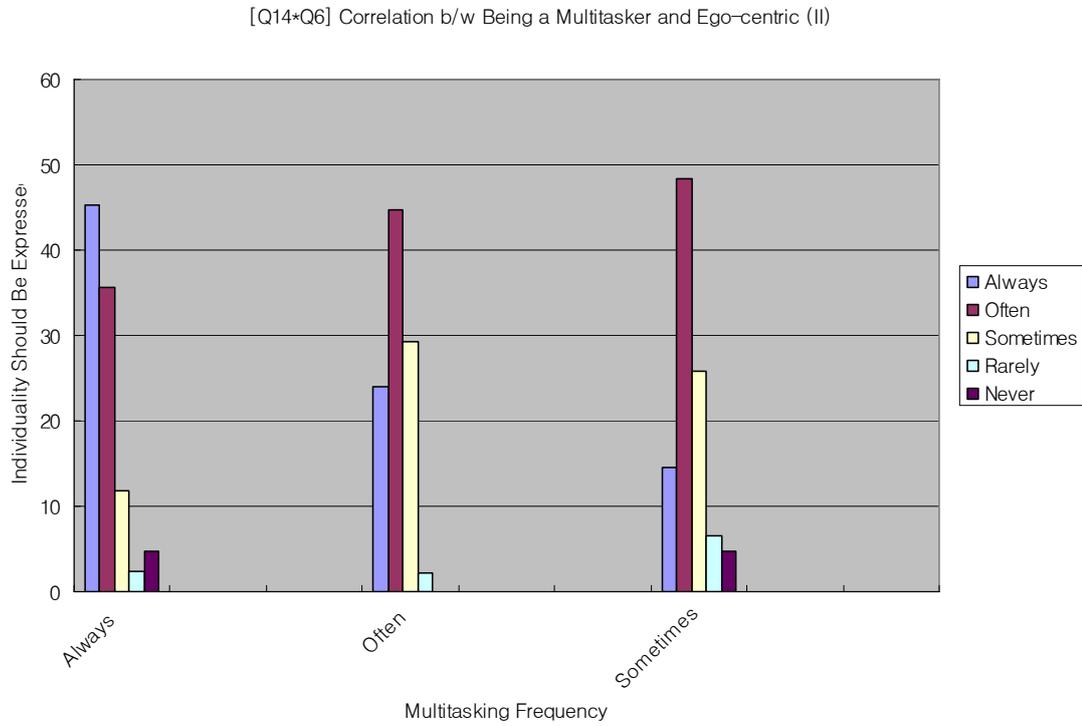


## Correlation Between Being a Multitasker and Ego-centric



The level of ego-centricity reflects the consumer of the new economy. It is possible to deduce from this chart that in Korea also that multitaskers are also representative cases of the new economy's "new consumer."

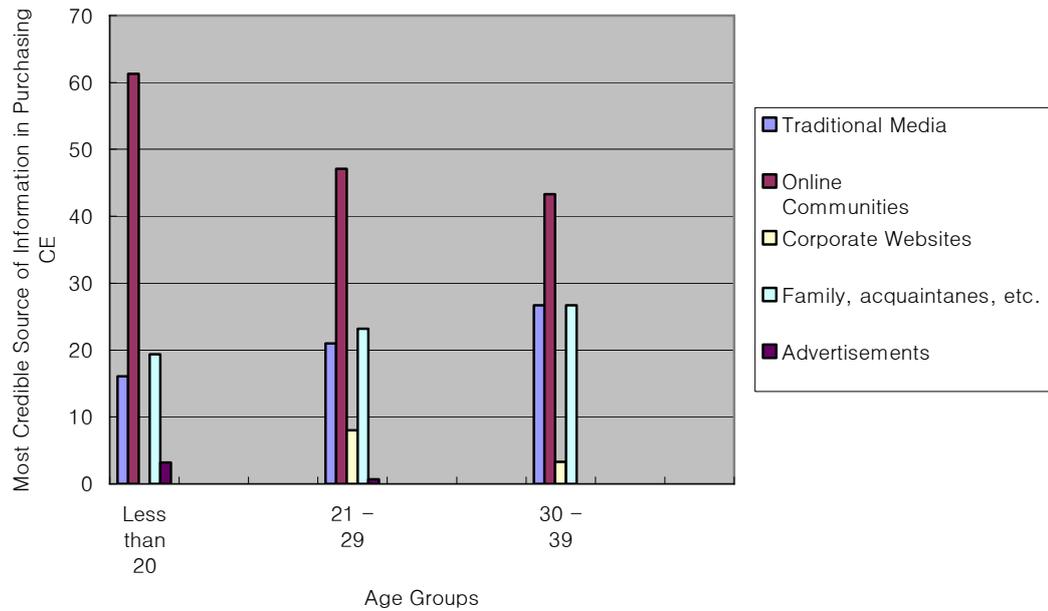
## Correlation Between a Being a Multitasker and Ego-centric (II)



Further evidence for the deduction that Korean multitaskers are also representative cases of consumers typical to the new economy.

## Increased Dependence on Online Sources

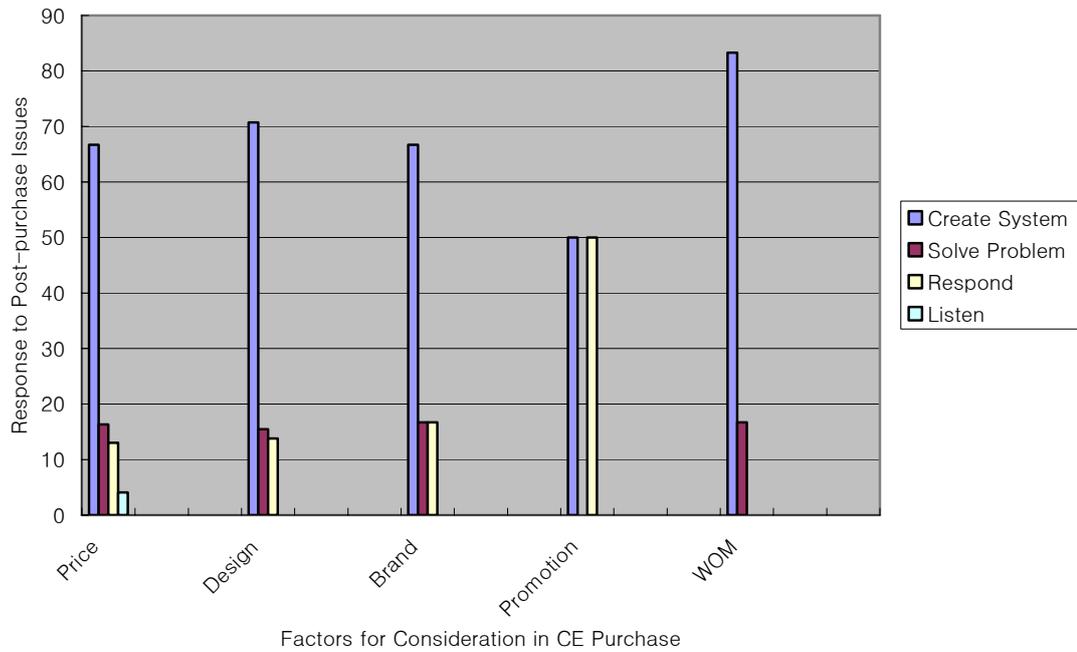
[Q1\*Q16] Increased Dependence on Online Sources



Within the age group there is an increase of dependence upon community-based information sources with the decrease of age.

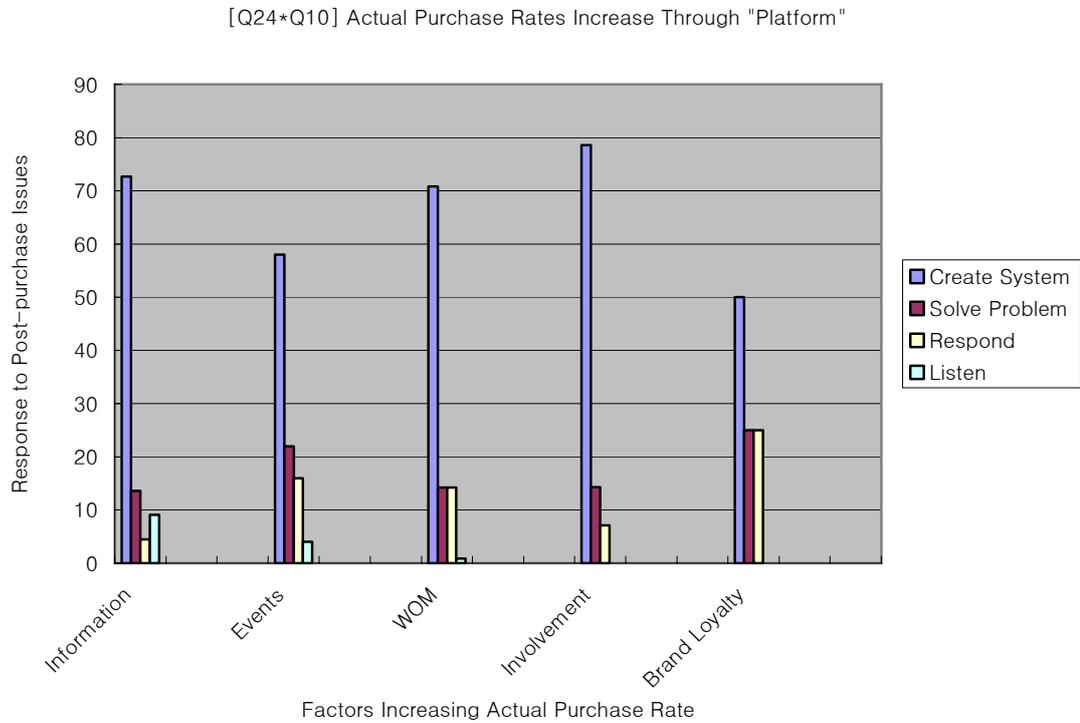
## The Creation of a “Platform” Positively Influences WOM & Brand Loyalty

[Q17\*Q10] WOM & Brand Loyalty Positively Affected by "Platform" Creation



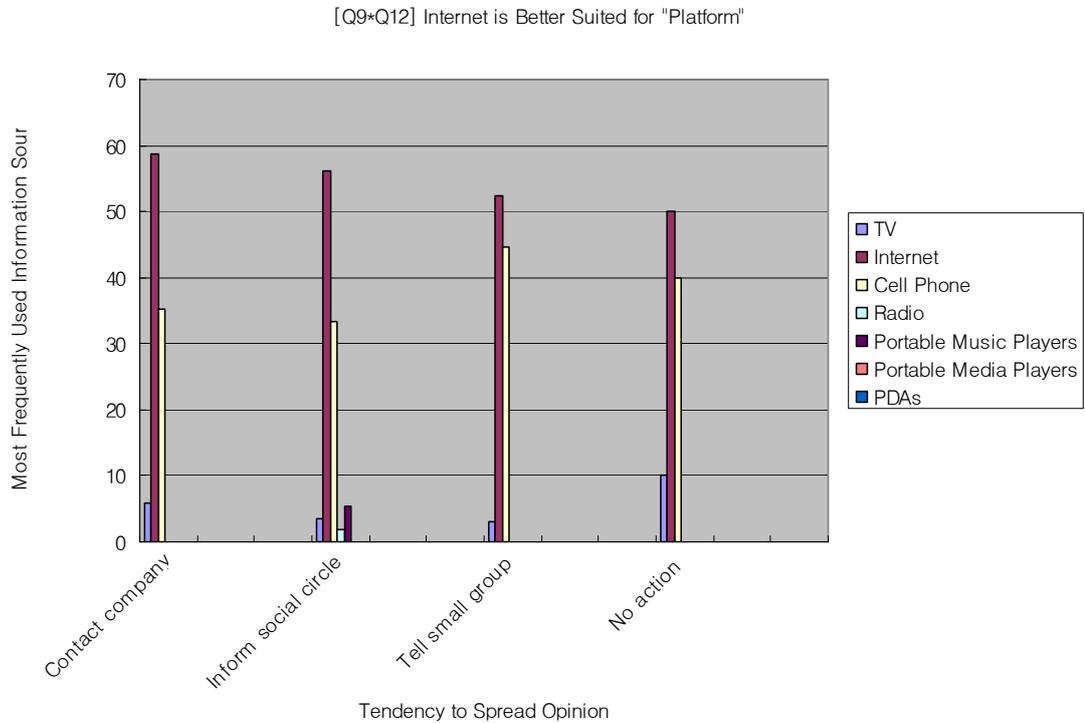
More than 80% of respondents who chose WOM as factors for consideration opted for a “platform” (system creation) approach.

## Actual Purchase Rates Can Increase Through “Platform” Creation



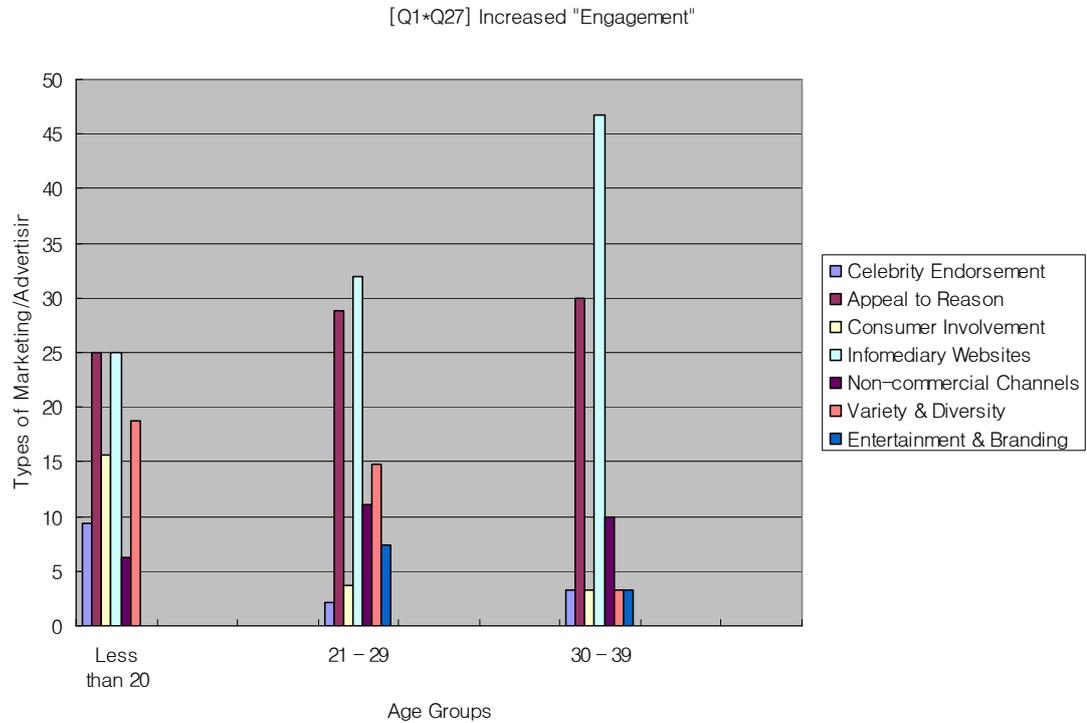
Respondents who chose “Information,” “WOM,” and “involvement” as factors that positively influenced actual purchase rates also placed the highest (over 70%) importance on a “platform-based” approach and management of post-purchase issues.

## The Internet is The Ideal Vehicle for “Engagement Platform”



In finding the most suitable environment for setting up an engagement platform, obviously opinion leaders (and the younger Korean consumer set represented in this survey) prefer the Internet, with the slight increase over the increasing activeness as an opinion leader in the use of the Internet acting as further supporting evidence.

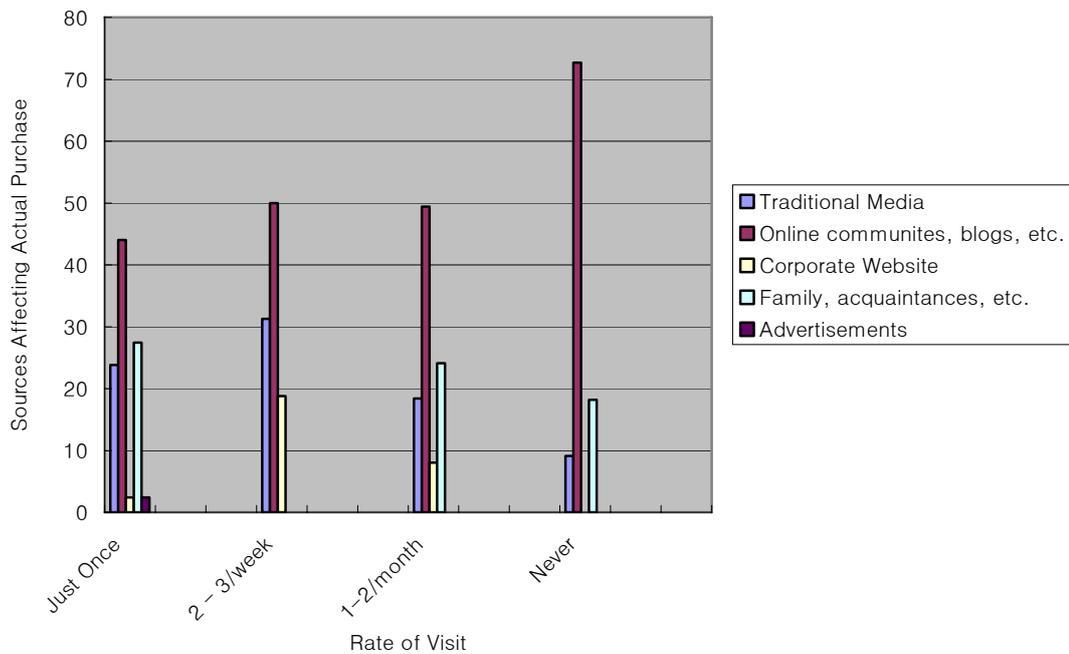
## Increased “Engagement” In Age Groups



Consumers within this age groups responded that they felt “engaged” (refer to Appendix B for working definition of “engaged” for the survey) when approached by means of an infomediary website. Also a relatively steep increase in the engagement effectiveness of consumer involvement and allowing consumers to express individuality through choices provided in variety and diversity is evident.

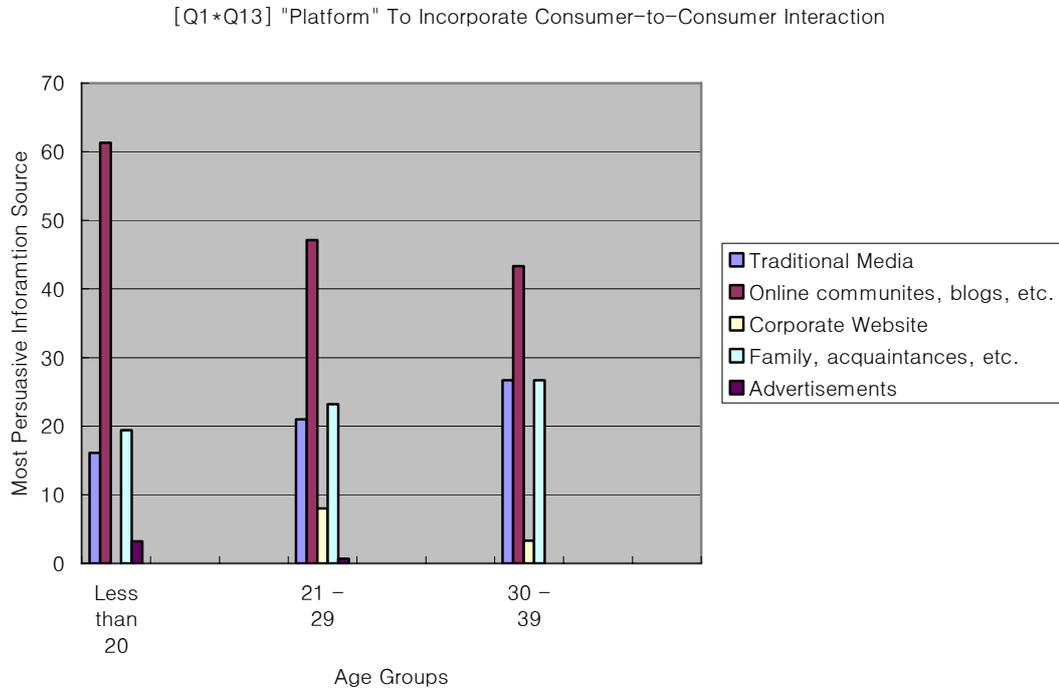
## Corporate Websites Can Be Viable Sources of Information

[Q19\*Q16] Corporate Websites Can Be Viable Sources of Information



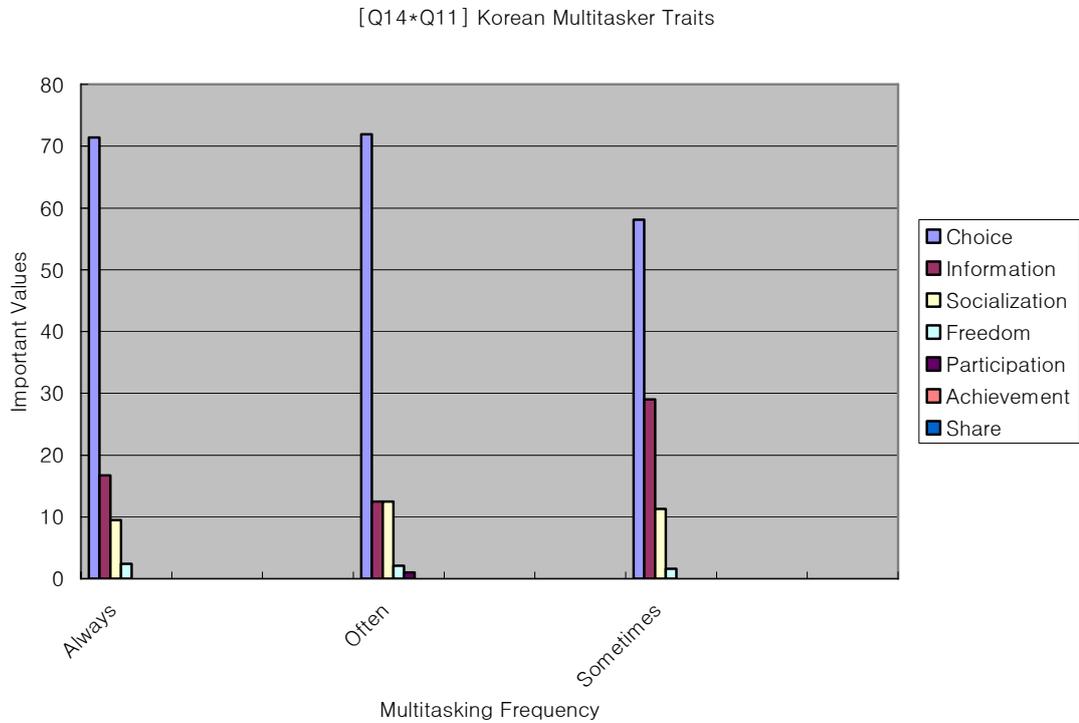
It is important to note that regular visitors to corporate websites (2-3 times a week) actually did consider the corporate website as a source of information that can positively affect purchase; and respondents who never visited corporate websites were often avid visitors of online communities and other C2C sites. It is possible to deduce from here that corporate websites can actually be viable sources of information and effective renovation of the corporate website concept will be worthwhile because there is a real demand out there for dependable intermediary sites.

## Incorporate C2C Interaction in “Engagement Platform” Design



A clear preference for C2C interaction and non-commercial channels backs up the argument for the incorporation of these elements in an engagement platform.

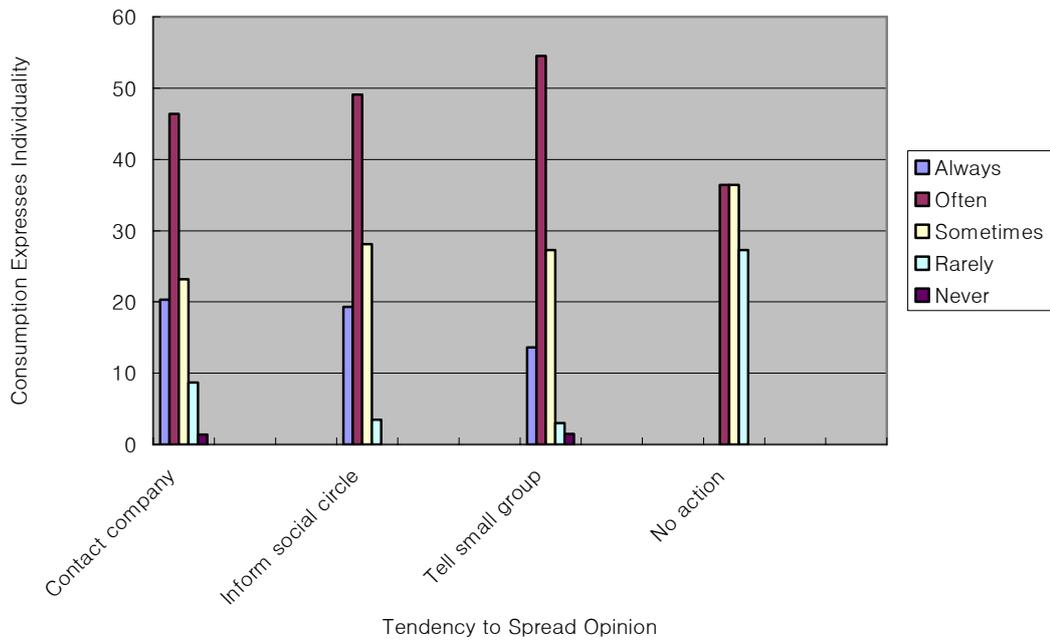
## Traits of Korean Multitaskers



Korean multitaskers clearly show traits of “Net-Gen” and “Generation Y” and the new economy consumer trends in their overwhelming emphasis on “choice” and “information” and “socialization.”

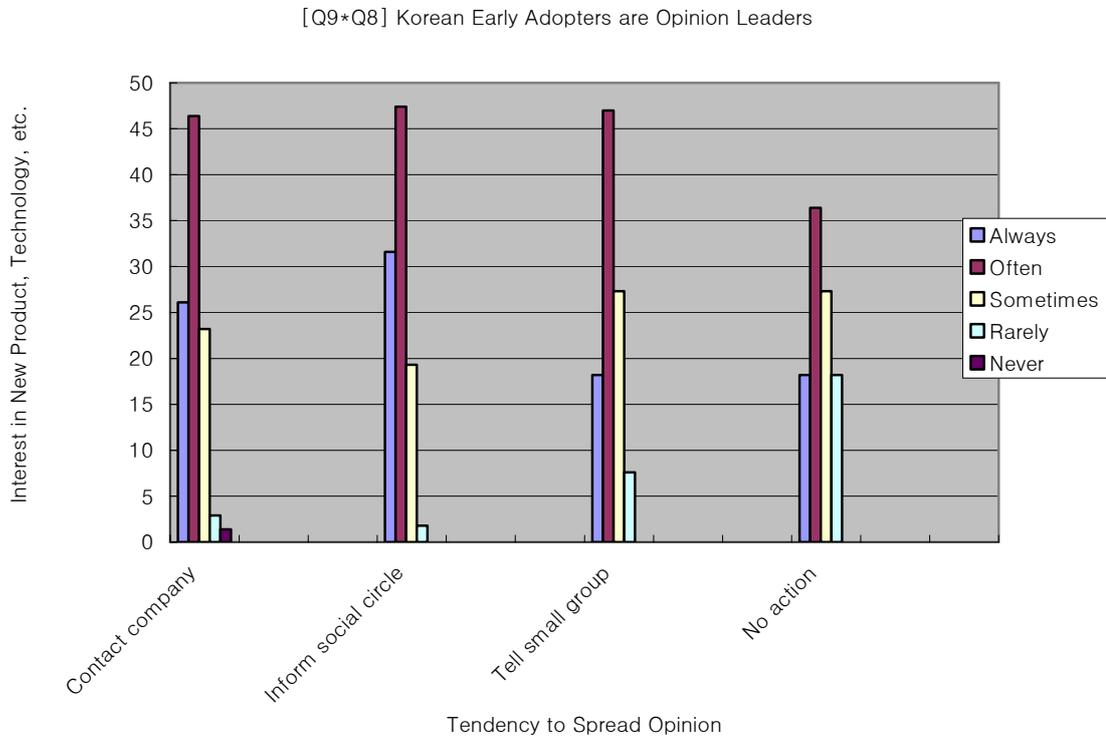
## Traits of Korean Opinion Leaders

[Q9\*Q7] Traits of Korean Opinion Leaders



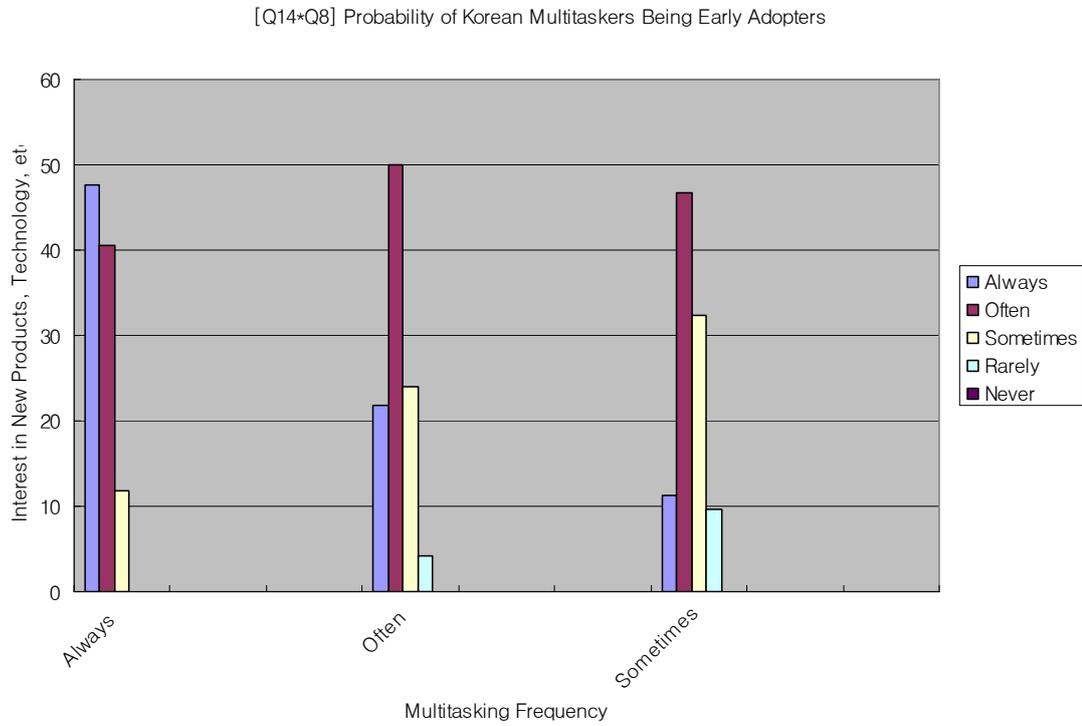
The point of importance here is the positive correlation between being an opinion leader (respondents who answered “always”) and the belief that consumption is a method of reflecting individuality.

## Korean Early Adopters are Opinion Leaders



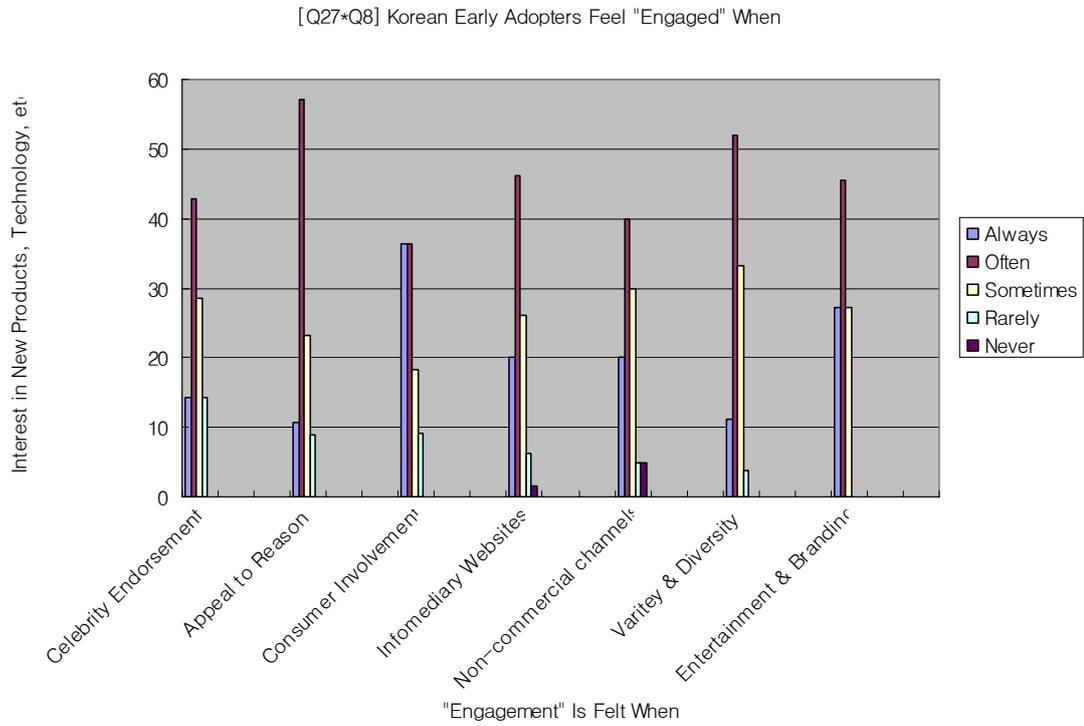
(Refer to Appendix B) Greater interest in new products, technology, design etc. is considered signals of an early adopter; greater tendency to spread one's opinion to larger groups, more proactively are considered signals of an opinion leader.

## Probability of Korean Multitaskers Being Early Adopters



An obvious majority of multitaskers show traits of early adopters.

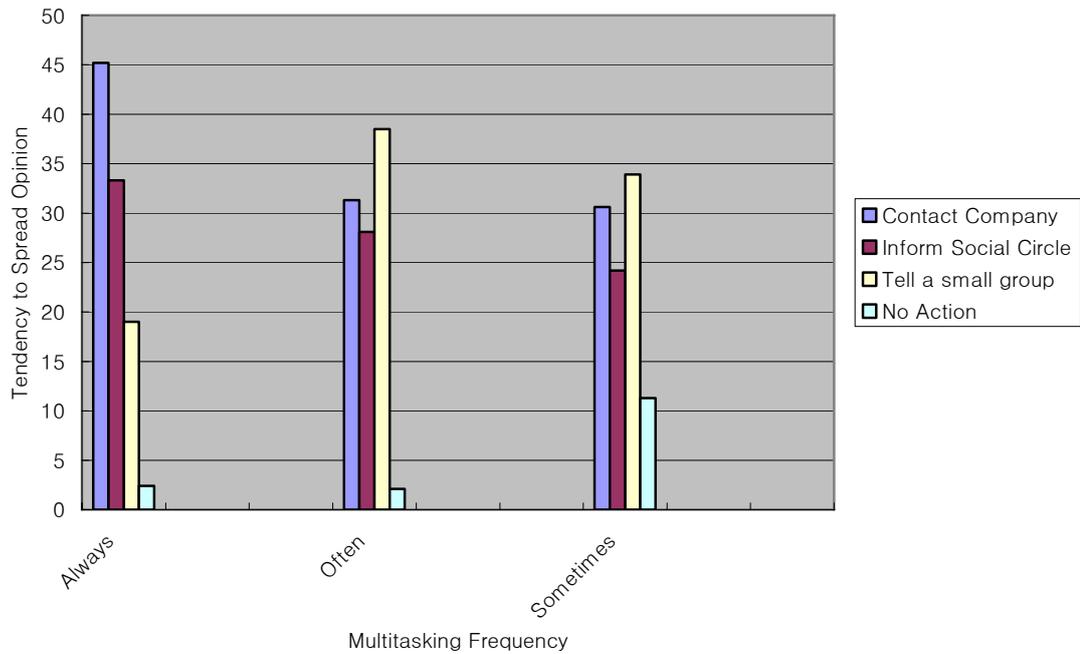
## Korean Early Adopters Feel “Engaged” When



Early adopters (limited to those who answered “Always”) claim to feel “engaged” through “consumer involvement” and “entertainment & branding,” providing tips for the contents of any engagement marketing strategy/platform.

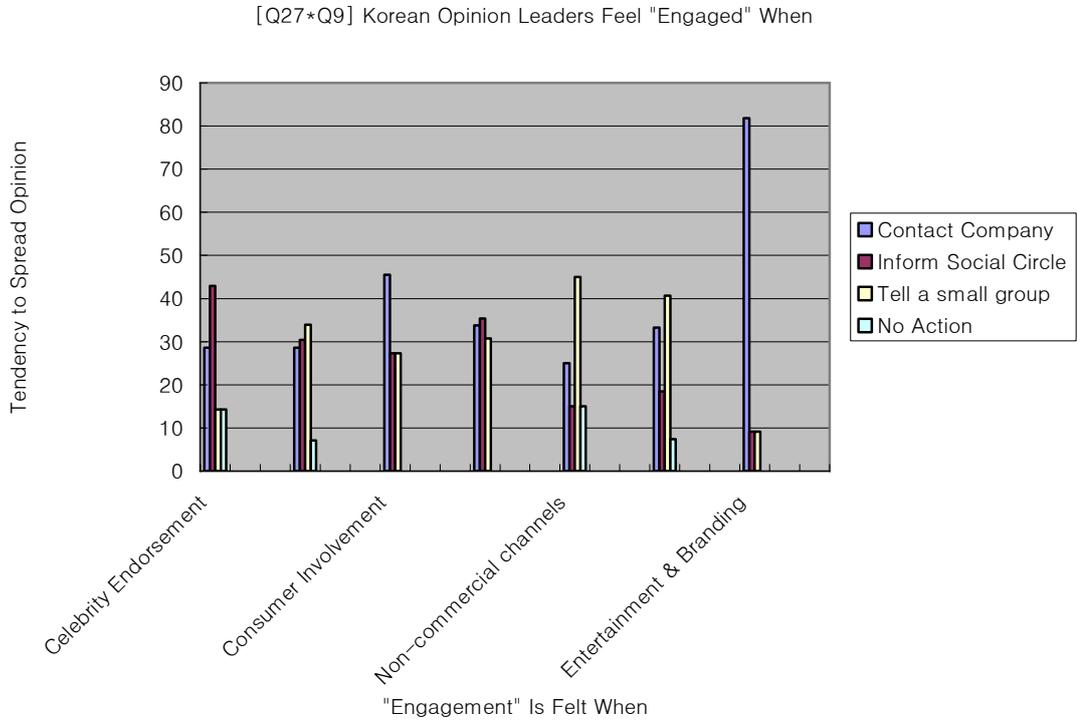
## Probability of Korean Multitaskers Being Opinion Leaders

[Q14\*Q9] Probability of Korean Multitaskers Being Opinion Leaders



The frequent multitasker is more likely to be active in spreading his or her opinion.

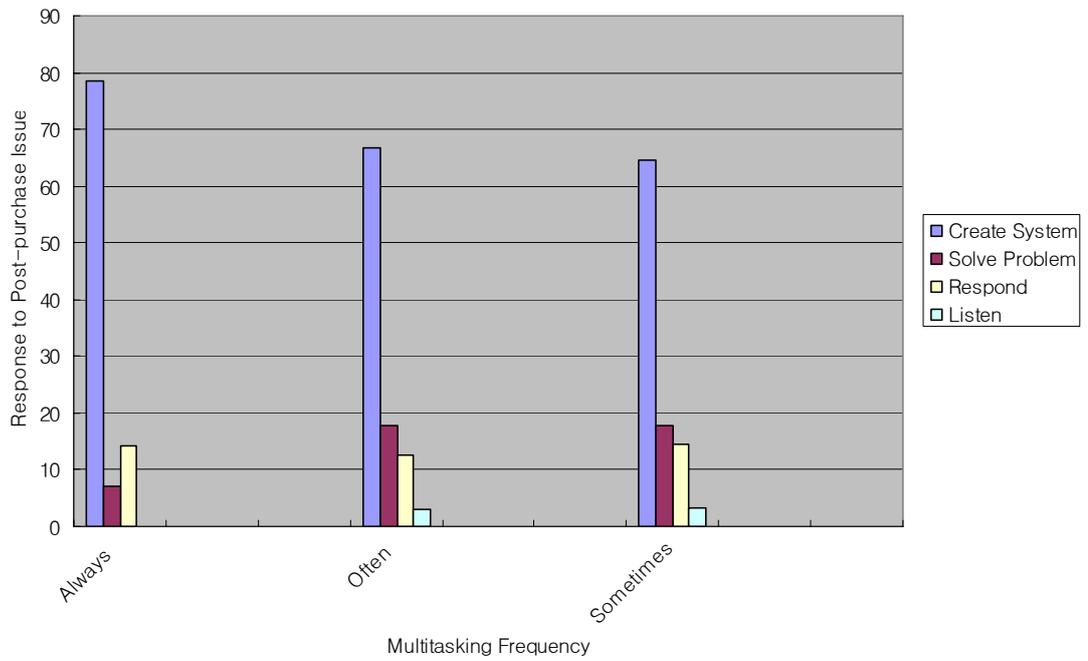
## Korean Opinion Leaders Feel “Engaged” When



Korean opinion leaders (limited to those who answered “contact company”) claim to feel “engaged” through “consumer involvement” and “entertainment & branding.”

## Korean Multitaskers Prefer a “Platform Strategy”

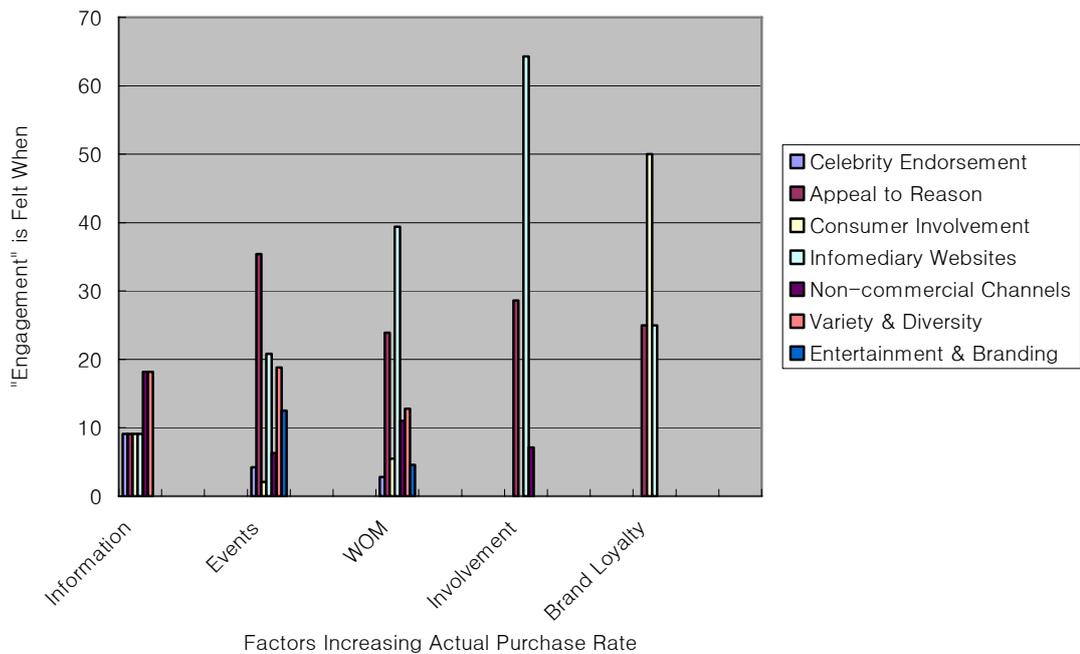
[Q14\*Q10] Korean Multitaskers Prefer a "Platform"



Close to 80% of regular multitaskers opt for the “platform” approach.

## Actual Purchase Rates Influence By

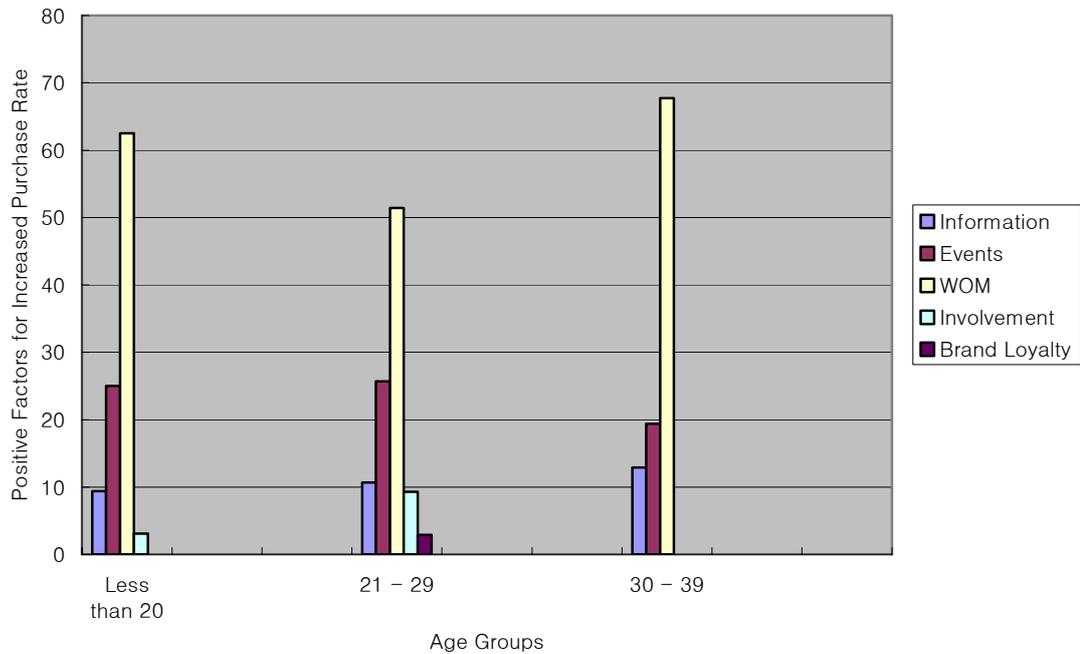
[Q24\*Q27] Actual Purchase Rates Influenced By



Considering that according to definitions of Net-Gen, Generation Y and the consumer trend report for the new economy, consumers that choose “Information,” “WOM,” and “involvement” are the relevant target group of today; from this chart we see that “non-commercial channels,” “variety and diversity,” “infomediary websites” and “appeal to reason” can be possible strategies to enhance a consumer’s feeling of being engaged.

## Actual Purchase Rates Influence By (II)

[Q1 \* Q24] Increased Purchase Rate



Factors that positively affect a consumer's actual purchase decision can be seen spread across the 3 sub groups within the larger age group. WOM is predominant, but the presence of consumer involvement as a factor for the two younger groups should also be take into account to a certain extent.

## APPENDIX B

### SURVEY SAMPLE (Translated from Korean)

1. Please check your age group

- (a) 20 or less
- (b) 21-29
- (c) 30-39
- (d) 40 or over

2. Please check your gender

- (a) Female
- (b) Male

3. Please check your occupation

- (a) Office worker
- (b) Student
- (c) Professional occupation (Lawyer, doctor, reporter, etc.)
- (d) Business-owner
- (e) Freelancer
- (f) Between jobs

4. How many portable consumer electronics (CE) do you carry usually?  
(E.g. Cell phones, MP3 players, laptops, etc.)

- (a) 3 or more
- (b) 1 – 2
- (c) Do not carry them
- (d) Do not own any

3. How important is individuality for you?

- (a) Always
- (b) Often
- (c) Sometimes
- (d) Rarely
- (e) Never

6. Expression of individuality

- (a) Express it always
- (b) When possible
- (c) Sometimes
- (d) Only in thought

(e) Never considered it

7. Does your consumption express you individuality?

- (a) Always
- (b) Often
- (c) Sometimes
- (d) Rarely
- (e) Never

8. Are you interested in new products, technology, trends, etc.?

*Considered as gauge for early adopters*

- (a) Always
- (b) Often
- (c) Sometimes
- (d) Rarely
- (e) Never

9. If you have an opinion concerning a product, service, etc., you will

*Considered as gauge for opinion leaders*

- (a) Contact the company and the person in charge
- (b) Inform my entire social network
- (c) Talk about it to some acquaintances
- (d) No action

10. How should the company/person in charge respond to such post-purchase issues?

- (a) Create a system of feedback and management encompassing the whole situation
- (b) Solve the problem on a case-by-case basis
- (c) Respond to consumer input concerning the issue
- (d) Receive comments and complaints about the issue

11. Choose the values that are important to you

- (a) Choice
- (b) Information
- (c) Socialization
- (d) Freedom
- (e) Involvement
- (f) Achievement
- (g) Sharing

12. Which of the following do you use the most?

- (a) TV
- (b) Internet
- (c) Radio
- (d) Portable music players
- (e) Portable media players

(f) PDAs

13. Your sources of information

(a) TV

(b) Internet

(c) Mobile contents (Using cell phones, PMPs, etc.)

(d) Radio

(e) Newspapers, magazines and other print periodicals

14. How often do you multitask?

(a) Always

(b) Often

(c) Sometimes

(d) Never

15. Which of the following do you use at the same time? (Multiple answer)

(a) Cell phone

(b) PMP

(c) PDA

(d) TV

(e) Computer

(f) Portable music players

(g) Newspapers, magazines and other printed periodicals

(h) Radio

16. When buying purchasing CE, choose the most credible information sources.

(a) Magazines, newspapers, TV and such tradition media

(b) Online communities, blogs, etc.

(c) Corporate websites

(d) Family, acquaintances, etc.

(e) Advertisements

17. (Holding technology and A/S constant) What factors influence purchasing decisions for CE?

(a) Price

(b) Design

(c) Brand

(d) Promotion

(e) WOM

18. When a company sets up a system of post-purchase issues management to encompass the whole situation, you will

(a) Voice my opinions, complaints, etc. more often

(b) The credibility and positive associations with the product/company/brand will increase

(c) Feel like a valued customer to the company

(d) Continue to be interested in the company/brand even after the initial purchase

19. Do you visit corporate websites for CE?

- (a) No (only once)
- (b) 2-3 times a week
- (c) 1-2 times a month
- (d) Never

20. The reasons why you do not visit the website.

- (a) Did not know of its existence
- (b) Did not see the point
- (c) Did not see any benefits
- (d) (Visited once but) Felt like it was another commercial ploy
- (e) (Visited once but) Did not find it entertaining or informative.

21. For you to become a regular visitor, which aspects do you suggest the corporate website to improve?

- (a) Design
- (b) Information provision
- (c) C2C interaction (consumer communities, blogs, etc.)
- (d) Entertainment (games, galleries and such entertainment contents)
- (e) Lessen the commercial impression

22. Please write the corporate websites you can recall at this moment.

23. Why do you visit the above corporate websites?

- (a) Information
- (b) C2C interaction
- (c) Entertainment
- (d) Brand loyalty
- (e) The design and feel of the site

24. (According to your personal experience) Which factors increase the probability that actual purchase will ensue?

- (a) Information provision
- (b) Events
- (c) WOM
- (d) Consumer Involvement
- (e) Brand loyalty

25. When do you feel that you are a valued customer to the company?

- (a) Fast response to opinions, complaints, etc.
- (b) A system/platform is provided to manage post-purchase issues
- (c) Support for C2C interaction
- (d) One-to-one personalized contact (remembering anniversaries etc.)

26. To reflect an individual's lifestyle, a product/brand should have

- (a) Strong brand image
- (b) Leading technology
- (c) C2C interaction opportunity
- (d) A certain social status

27. When do you feel that you are "engaged"?

*Engaged: You feel a personal interchange is taking place that merits your full attention and time*

- (a) Celebrity endorsement
- (b) Appeal to reason
- (c) Consumer involvement
- (d) Infomediary websites
- (e) Non-commercial channels
- (f) Variety & diversity
- (g) Entertainment & branding

## APPENDIX C

### Feature Comparison between PlayStation 3 (Sony) & Xbox 360 (Microsoft)

Features	PlayStation 3 <i>To be released November, 2006</i>	Xbox 360 <i>Released November, 2005</i>
<b>Microprocessor</b>	3.2 GHz Cell processor with 7 single-threaded synergistic processing units cores	3.2 GHz PowerPC with 3 dual-threaded processor cores
<b>Graphics Processor</b> - GPU Type - Clock Speed - Video RAM - Video Memory Bandwidth	NVIDIA-based RSX "Reality Synthesizer" 550 MHz 256MB GDDR3 (700MHz) 25.6 GBps	ATI-based custom processor 500 MHz Up to 512 MB GDDR3 system RAM (700 MHz) 21.6 GBps to system RAM
<b>Video</b> - Native Video Resolutions - HDTV/HDMI Outputs	480i, 480p, 720p, 1080i, 1080p 2	16:9 widescreen 720p and 1080i 1
<b>Audio Sound Output</b>	5.1 channel Dolby surround sound	Multi-channel (256 discrete)
<b>System Memory</b> - Main System RAM - Memory Bandwidth	256 MB XDR RAM (3.2GHz) (700MHz) 25.6 GBps	512 MB GDDR3 RAM (700 MHz), shared with GPU 22.4 GBps
<b>Storage</b> - Optical Drive - Hard Drive - Memory Card Ports - USB 2.0 Ports	Blu-Ray (Multi-compatible) Removable, size unknown Memory Stick/Duo, SD, and CompactFlash ports 6	12X dual-layer DVD 20 GB removable hard drive 2 Xbox 360 Memory Unit ports (64 MB each) 3
<b>Networking</b> - Ethernet - Wireless Networking - Online Service	1 Gigabit Ethernet port Wi-Fi, Bluetooth 2.0, Bluetooth controller interface Online service provision confirmed	1 100 Mbps Ethernet port <a href="#">Wi-Fi</a> ready, 802.11-based controller communications online support
<b>Multimedia Features</b> - TV/HDTV Support - Streaming Video/Audio - Streaming Photo Slides - Portable Media Players (iPod, digital cameras, etc.)	Partial Yes Yes Yes	Yes Yes Yes Yes
<b>Number of Support Controllers</b>	7 wireless : PSP also a controller	4 wireless : Windows PCs also controller
<b>Backward Compatibility</b>	Complete	Complete

Sources: "Xbox 360 vs. PlayStation3: A Technical Comparison," Paul Thurrott's SuperSite for Windows, Paul Thurrott, 2005-12-22, "PS3 Features," PS3 Obsession.com

## **BIBLIOGRAPHY**

## BIBLIOGRAPHY

- Abrahams, Guy. "TV fame loses out to drive for effectiveness." *Marketing Week* 2003-10-16
- Achrol, Ravi S. "Changes in the Theory of Interorganizational Relations in Marketing: Toward a Network Paradigm," *Journal of the Academy of Marketing Science*, 25 (1), 1997
- Ajzen, Icek and Fishbein, Martin. *Understanding Attitudes and Predicting Social Behavior*. Prentice Hall; 1st edition, 1980
- Alitzer, Roger. "Sony Owes PS2 Online Success to Third-Party Support." 2006-04-23 <http://playstation.about.com/od/onlinegaming>
- Baron, James N., and Michael T. Hannan. "The impact of economics on contemporary sociology." *Journal of Economic Literature* 32 (September): 1111-46. 1994
- Belson, Ken. "Build it and the will come, if it's free." *The New York Times*. 2006-06-27
- Belk, Russell W. "Possessions and the Extended Self," *Journal of Consumer Research*, 15 (September), 1988
- Bernthal, Paul R. "Measuring Employee Engagement." *White Paper - Development Dimensions Inc.* January 2002
- Bianchi, Alessandra. "Lines of Fire," *Inc. Tech*, 1998,
- Carson, Jonathan. "Consumer buzz: the ultimate metric of engagement." December, 2005. [www.nielsenbuzzmetrics.com/nwslttr\\_mouthpiece200512.asp](http://www.nielsenbuzzmetrics.com/nwslttr_mouthpiece200512.asp) Accessed 2006-09-02
- Cordeira, Jim. "Sony celebrates 1 Year online with PS2." 2003-08-26, [www.gaming-age.com/news/2003/8/26-73](http://www.gaming-age.com/news/2003/8/26-73) Accessed 2006-08-06
- Day, George (1999), *The Market Driven Organization: Understanding, Attracting and Keeping Valuable Customers*. New York: The Free Press
- Delaney, Kevin J. "YouTube has big visions for site." *The Asian Wall Street Journal*. 2006-06-28
- Duncan, Donny. "Apple iPod: Why Apple Dominates the Mobile MP3 Player Market." 2006-03-29. [www.selfseo.com/prin-story-11531.php](http://www.selfseo.com/prin-story-11531.php) Accessed 2006-08-01

- Enderle, Rob. "Xbox v. PlayStation: Microsoft Throws Down the Gauntlets?" 2003-03-29, *TechNewsWorld*
- Goo, Sara Kehaulani. "Calling up Korea's savvy." *The Asian Wall Street Journal*. 2006-06-28
- Goodwin, Cathy. "Communality as a Dimension of Service Relationships," *Journal of Consumer Psychology*, 5 (4) 1997)
- Goodman, John. *Technical Assistance Research Program (TARP)*, U.S. Office of Consumer Affairs Study on Complaint Handling in America, 1986
- Gummesson, Evert, "Relationship Marketing: Its Role in the Service Economy," in *Understanding Services Management*, William J. Glynn and James G. Barnes, eds. New York: John Wiley & Sons, 1995
- Hagel, John III and Arthur G. Armstrong, *Net Gain*. Boston, MA: Harvard Business School Press, 1997
- Harwood, Richard C. "Finding the Right Path: Public Agencies and Civic Engagement," January, 2003 *National Civic Review*
- Herriott, Scott R. "Identifying and Developing Referral Channels." *Management Decision* 30, no. 1, 1992
- Howard, Theresa. "Marketers aim for 'engaged' consumer." 2006-06-22. *USA Today*
- Irvine, Martha. "Labels Don't Fit Us, Gen Y Insists." 2001-04-19, *Denver Post*
- Kahney, Leander. "Home-Brew iPod Ad Opens Eyes." 2004-12-15, [www.wired.com/news/mac/1.660001-0.html](http://www.wired.com/news/mac/1.660001-0.html) Accessed 2006-08-06
- Kahney, Leander. "Inside Look at the Birth of the iPod." 2004-07-22. <http://www.wired.com/news/mac/0,2125,64286,00.html> Accessed 2006-08-06
- Kane, Yukari Iwatani. "Sony faces the music: iPod still rules." *The Asian Wall Street Journal*. 2006-06-27
- Kanellos, Michael. "Blu-ray a player in PlayStation 2. [www.cnetnews.com](http://www.cnetnews.com) Accessed 2006-08-06
- Kang, Stephanie. "Trading-card game links to Web." *The Asian Wall Street Journal*. 2006-06-22

- Kesmodel, David. "Companies embrace podcasts to reach out to consumer." *The Asian Wall Street Journal*. 2006-06-06
- Kotler, Philip. *Marketing Management*. 11<sup>th</sup> ed. Upper Saddle River, New Jersey: Pearson Prentice Hall, 2003
- Kotler, Philip and Keller, Kevin Lane. *Marketing Management*. 12<sup>th</sup> ed. Upper Saddle River, New Jersey: Pearson Prentice Hall, 2006
- Kotler, Philip. *Marketing Management*. Millennium ed. Upper Saddle River, New Jersey: Prentice-Hall, 2000
- Kunii, Irene M. and Grover, Ron. "The Slump at Sony." 2000-06-5 *BusinessWeek*
- Lafayette, Jon. "Nielsen could measure ad engagement." *Television Week*. 2005-08-08
- Lawler, James P. "Transforming Civic Engagement Through Technology." *National Civic Review*. Spring 2005
- Lawrence, J.M. "Trends: X-ed Out: Gen Y Takes Over." 1999-02-2 *Boston Herald*
- Levy, Steven. "iPod Nation." 2005-07-26 *Newsweek*
- Mandes, Joe. "Madison Avenue engages new media metric: engagement, struggles to define it." 2006-07-21. <http://publications.mediapot.com> Accessed 2006-09-02
- Markoff, John. "Microsoft integrates telecoms." *The New York Times*. 2006-06-27
- Marsal, Katie. "iPod: how big can it get?" 2006-05-24. <http://www.appleinsider.com/article.php?id=1770> Accessed 2006-08-06
- Martell, Duncan. "Apple iPod mini reflects personality." *USA Today (Reuters)*. 2004-05-12
- Martell, Duncan and Li, Ken. "Microsoft's 'Zune' to Challenge Apple iPod," 2006-07-22, *Reuters*
- Mossberg, Walter S. and Boehret, Katherine. "New photo-sharing Web site offers more." *The Asian Wall Street Journal* 2006-06-21
- McClellan, Steve. "No longer up for debate: Engagement means money." *Adweek*, 2006-05-08

- McClellan, Steve and Consoli, John. "At 4As, harsh words and uncertain futures." *Adweek*, 2006-06-03
- McDonnell, Fiona. "Firms must understand customer to stay ahead." *New Media Age* 2006-05-05
- Modahl, Mary. *Now or Never*. New York: HarperCollins Publishers Inc., 2000
- Monroe, Friedman, Vanden Abelle, Piet and De Vos, Koen. "Boorstin's Consumption Community Concept: A Tale of Two Countries," *Journal of Consumer Policy*, 16(1), 1993
- Morris, Chris. "PlayStation 3 price - \$500?" 2006-01-11, [www.cnnmoney.com](http://www.cnnmoney.com). Accessed 2006-08-02
- Oliver, Richard L. Whence Consumer Loyalty?" *Journal of Marketing*, 1997
- Oliver, Richard L. *Satisfaction: A Behavioral Perspective on the Consumer*. New York: Irwin/McGraw-Hill, 1997
- Parish, Jeremy. "PS2: Five Years Later." 2005-10-22 [www.2up.com/do/feature?pager.offset=0&cld=3144956](http://www.2up.com/do/feature?pager.offset=0&cld=3144956) Accessed 2006-0801
- Parsley, Andy. "Employee engagement: the what, why and how," 2005-12-06, [www.management-issues.com](http://www.management-issues.com) Accessed 2006-09-02
- Prystay, Cris. "Patent fight over Apple iPod shows high cost of mistakes." *The Asian Wall Street Journal*. 2006-06-08
- Rayport, J.F., and Jaworski, B.J. *Introduction to e-Commerce*. New York: McGraw-Hill, 2002
- Ries, Al. "Understanding Marketing Psychology and the Halo Effect." 2006-04-17, *AdvertisingAge*
- Robinson, Dilys and Hayday, Susan. "Employee engagement." *In Brief (IES Newsletter)*, no. 129, 2004
- Robinson, Dilys, Perryman Samuel. and Hayday, Susan. *The Drivers of Employee Engagement – IES Report 408*, 2004
- Roland T. Rust and Richard W. Oliver, "Notes and Comments: The Death of Advertising," *Journal of Advertising*, December 1994
- Roman, David. "Virtual sales are very real to Sony, Microsoft." *The Asian Wall Street Journal*. 2006-06-22

- Schlender, Brent. "Apple's 21st-Century Walkman" *Fortune* 12 November 2001
- Sheth, Jagdish, Rajendra S. Sisodia, and Arun Sharma "The Antecedents and Consequences of Customer-Centric Marketing," *Journal of the Academy of Marketing Science*, 28 (Winter), 2000
- Sheth Jagdish N. and Atul Parvatiyar, "Relationship Marketing in Consumer Markets: Antecedents and Consequences," *Journal of the Academy of Marketing Science*, 23, 1995
- Smith, Steve. "iPod Redux." 2005-07-25. [www.twice.com](http://www.twice.com) Accessed 2006-07-31
- Solomon, Michael R. "Transfer of Power." *Marketing Research*. Spring, 2005
- Tapscott, Don. "Strategy in the New Economy," *Strategy & Leadership*, 25 (November/December) 1997
- Tapscott, Don. *Growing Up Digital: The Rise of the Net Generation*, New York: McGraw Hill, 1997
- Tellis, Gerard J. "Apple Tunes Up" *Journal of Marketing*, (July, 2004),
- Theiss-Morse, Elizabeth and Hibbing, John R. "Citizenship and Civic Engagement." *Annual Review of Political Science*, 2005
- Thurrott, Paul. "Microsoft Claims Xbox Success," 2003-02-19. [www.windowsitpro.com/articles/prin.cfm.?articleid=38069](http://www.windowsitpro.com/articles/prin.cfm.?articleid=38069) Accessed 2006-08-06
- Thurrott, Paul. "The State of Gaming, Parts 1 & 2." 2004-06-23. [www.connectedhomenag.com](http://www.connectedhomenag.com) Accessed 2006-08-06
- Thurrott, Paul. "With iPod Success, Apple Takes "Network Effect" from Microsoft." 2004-11-01 [www.windowsitpro.com/articleid=44379](http://www.windowsitpro.com/articleid=44379) Accessed 2006-06-26
- Thurrott, Paul. "Xbox 360 vs. PlayStation 3: A Technical Comparison." 2005-12-22 [www.winsupersite.com/showcase/xbox360\\_vs\\_ps3.asp](http://www.winsupersite.com/showcase/xbox360_vs_ps3.asp) Accessed 2006-08-06 Accessed 2006-08-06
- Vargo, Stephen L. and Lusch, Robert F. "Evolving to a New Dominant Logic for Marketing." *Journal of Marketing*, Vol. 68, (January 2004)
- Wahlberg, Robert. "How far can Apple ride the iPod craze?" 2004-11-04. MSN Money.com Accessed 2006-08-06
- Wheeler, Brian. "Apple merges from the Pod." *BBC News* 2003-12-16

- Wingfield, Nick. "Turning blogs into business is a big story for journalists." *The Asian Wall Street Journal*. 2006-06-27
- Wingfield, Nick. "EA buys Mythic to expand profile in online games." *The Asian Wall Street Journal*. 2006-06-22
- Xavier Dreze and Fred Zufryden, "Is Internet Advertising Ready for Prime Time?" *Journal of Advertising Research*. 38, no. 3, 1998
- Yuan, Li. "TV programmers get the (text) messages." *The Asian Wall Street Journal*. 2006-07-21
- The Random House Dictionary of the English Language* (2nd Edition Unabridged). New York, N.Y: Random House Inc., 1987
- "Ad spending see rising to \$521 billion 2010." *The Asian Wall Street Journal*. 2006-06-22
- "Invasion of the iPod People," *CBS News* 2004-12-05
- "iPod 'ecosystem' offers rich pickings." *Financial Times* 2006-01-29
- "iPod Success drives traffic to iTunes." *BBC News* 2006-01-23
- "NBC battles Web sites, but also tries cooperation." *The Asian Wall Street Journal*. 2006-06-07
- "Online marketers book more time-sensitive ads." *The Asian Wall Street Journal*. 2006-06-26
- "PlayStation 3 slippage looking more likely – implication." *Merrill Lynch Industry Overview* 2006-02-17
- "PlayStation 3 will outsell Xbox 360." *IDG News Services* 2006-03-22
- "The Voice of Effective Marketing." *The Taber Report*. DOTnet Consulting Inc., January 2006