Growth in the Age of the Customer
- A Comparative Case Study on Leveraging Emotion, Engagement and Loyalty

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Abstract

With the significant shifts and upheaval in the marketplace due to digitalisation, and evolving customer behaviour, it is becoming increasingly imperative for businesses to build and maintain strong connections with their customers. This new business setting causes major implications for companies’ formulation of strategies. Therefore, this thesis aims to map out points-of-parity and points-of-difference with regards to how two companies leverage customer emotion, customer engagement and customer loyalty in order to achieve growth, which is defined as the stages of customer acquisition, customer development and customer retention. In addition, the purpose is to explore advocacy and its role for igniting further growth. The study is conducted in the form of a comparative case study of two digital B2C companies: the media company Freeda and the food delivery service Deliveroo. The Framework for Customer Growth and the Cycle of Advocacy-Ignited Growth guide the analysis. The main findings include that companies’ core propositions determine their emotional strategy as well as personalisation being considered the most significant aspect of customer engagement. Moreover, the role of advocacy can be taken on by various stakeholders and is not limited solely to customers.

Keywords: Customer emotion, customer engagement, customer loyalty, advocacy, customer growth, customer acquisition, customer development, customer retention.
Thank you

We would like to take the opportunity to warmly thank those who have contributed during the process of writing this thesis. A special thanks to the employees at Freeda and Deliveroo for making time for us and providing insightful information of the operations of respective company. We would also like to thank Khaled Helioui for putting us in touch with the companies, enabling us to proceed the study and find the right interviewees for our purpose. Lastly, we would like to thank our supervisor and our thesis opponents for providing helpful feedback.

Helena Kindblom and Victoria Renström, June 2018
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1. Introduction

1.1 The Age of the Customer
The role of the customer has evolved significantly over the course of time where various elements have affected its meaning and influential power. What started as an Information Age initiated further digital advancement which resulted in a transition of power in favour of the customer (Cundari, 2015). Some major underlying factors that are fostering change in how we produce and access information have been referred to as tectonic shifts, as they fundamentally change the way customers behave (Frawley, 2014). The tectonic shifts reflect alterations in the macroenvironment and comprise the proliferation and fragmentation of channels, including the conversion of mass media to extensively data-driven, direct and primarily digital channels (ibid). Furthermore, the tectonic shifts encompass the immense generation and consumption of user-data allowing continuous interaction between individuals and brands (ibid). In this new era the customer plays a more prominent, participative and leading role in the relationship with brands (Cundari, 2015). This emerging business climate brings forth disruptive elements which dramatically change how customers behave, purchase, and engage with brands (ibid). With the significant shifts and upheaval in the marketplace and evolving customer behaviour, it is becoming increasingly imperative for businesses to build and maintain strong connections with their customers (Frawley, 2014). Ultimately, brands are facing the challenges of operating in the Age of the Customer (Cundari, 2015). Against this background, companies need to formulate growth strategies dealing with customer acquisition and retention based on the notion of the more powerful customer.

1.2 The customer’s powerful influence
The increasing use of digital tools is shifting market power from providers to customers and inevitably ignites customer empowerment (Pires et al., 2006). As a result, customers are armed with information, which has levelled the playing field between customers and businesses (Cundari, 2015). Since customers with heightened knowledge will feel more powerful (Foucault, 1972), the repositioning of competitive focus towards consumers’ subjective valuations further drives consumer-driven production processes (Pires et al., 2006). In a competitive marketplace, companies face the pressure to adhere to customer needs, as the customers otherwise often have a myriad of options to turn to (Cundari, 2015).
1.3 Seizing the customer
The new business setting causes major implications for the formulation of strategies, something that companies have already recognised and sought to tackle (Pires et al., 2006). Two major growing concerns for firms operating in various industries are customer acquisition and retention, which are often considered critical in order to achieve long-term profitability and build a solid customer base (King et al., 2016). Customer development is an additional phase which is reached once the customer is acquired (Bijmolt et al., 2010). This is an advancing stage that involves efforts aimed at improving the customer lifetime value (ibid). All of these three stages are vital in order to successfully capture, engage and retain customers and thereby achieve growth (ibid).

Finding the appropriate touch points in order to capture the customer becomes essential to achieve growth, and some particular focal points are argued to be imperative in the specific growth stages. For instance, attending to how people feel constitutes potential for brands to achieve high impact (Frawley, 2014). Companies’ emotive performance has also been argued to be “the new battleground for competitive differentiation” (Heffernan & LaValle, 2007), highlighting the importance of customer emotion in the acquisition stage. Furthermore, as customers via their extensive knowledge and networks exercise great influence over firms, the concept of customer engagement is becoming a central driver in the customer development stage (Van Doorn et al., 2010). The strategic approach for achieving customer engagement entails a process of identifying, evaluating and reacting to customer engagement behaviour (ibid). By connecting and engaging with the customers, the goal for the firm is to build a loyal customer base, which is critical in order to retain customers in the longer term (Heffernan & LaValle, 2007). The current digital transformation has further greatly contributed to the rise of a new and powerful customer, which has become known as the advocate (Cundari, 2015). In the process of building a loyal customer base the company seeks to turn its customers into advocates for its products and services (ibid). Having customers at this level of advocacy is considered the optimal outcome from a strategic viewpoint as they are defenders of the brand (ibid).

1.4 The valuable user
In the digital landscape the users are becoming a main source of value (Füller et al., 2009). While traditional business valuations have treated cash flow as the ultimate metric for gauging success, many of today’s companies choose to focus more on the size of their user
community as a representative success metric (Gartner, Inc., 2018). Two companies that are operating within a highly customer-driven environment are the digital B2C companies Freeda and Deliveroo. As a media production company, Freeda is dependent on its users to actively engage with and follow the channels where Freeda’s content is published. Similarly, the food delivery company Deliveroo is reliant on having an active user base that continuously orders from the mobile application. Both of these companies serve as relevant examples of high growth, as Freeda acquired 1.3 million followers on Facebook in 1.5 years (Freeda, 2018) and Deliveroo has since its inception in 2013 grown to reach a valuation of $2 billion in 2018, making it a unicorn company (Burke, 2018).

1.5 Purpose and research question

The purpose of this thesis is to map out points-of-parity and points-of-difference with regards to how two digital B2C companies leverage customer emotion, engagement and loyalty in order to achieve growth, which is defined as the stages of customer acquisition, development and retention. In addition, the purpose is to explore customer advocacy and its role for igniting further growth. In doing this, the aim is to shed light on current practices within digital growth as well as contextual elements influencing strategy formulation. Furthermore, the thesis aims to provide valuable insights for practitioners seeking to receive a deeper understanding within this field as well as contribute to advancements of existing theory.

The following research questions have been formulated:

*How do two companies operating in a digital B2C setting leverage customer emotion, engagement and loyalty to achieve growth?*

*What is the role of customer advocacy in igniting growth?*
2. Literature review

2.1 Customer acquisition

Customer acquisition is described as the first key stage in the customer life cycle and is mainly focused on finding the “right” customer and choosing the appropriate marketing activities in order to capture new customers (Bijmolt et al., 2010). A first step towards initiating a connection with the customer is to identify what the customer finds important (Heffernan & LaValle, 2007). Consequently, because the targeted customer has to find the company’s offering meaningful, the company needs to take an outside-in approach in order to understand and build an emotional connection with the customer (ibid).

2.1.1 Customer emotion in theory

The psychological concept of emotion is defined as “A complex pattern of changes, including physiological arousal, feelings, cognitive processes, and behavioural reactions, made in response to a situation perceived to be personally significant” (Gerrig & Zimbardo, 2002). Emotional elements in marketing go beyond physical attributes and work as triggers of meaning and value (Shaw & Ivens, 2002). Moments of emotional involvement are described as one of the essential aspects of the total customer experience, along with physical elements (Mascarenhas et al., 2006). In highlighting emotional aspects of interactions as a significant part of shaping customer experiences, Heffernan and LaValle (2007) claim that understanding customer needs and expectations are key success factors. An additional perspective is highlighted by Frawley (2014), who focuses more deeply on the elements of customer connection and offers a framework in the form of a hierarchy of connections. The emotive connection between a company and a customer constitutes the highest possible level in the hierarchy, given that the company 1) is able to communicate with the customer, 2) has the accurate information about the customer and 3) knows the individual customer’s values (ibid). An emotional connection with a brand is argued to amplify the value of any customer relationship (ibid).

Customer emotion is argued to be a key factor for leveraging growth due to customers’ feelings serving as behavioural drivers (Magids et al., 2015; Zorfas & Leemon, 2016). Customers with emotional connections contribute to more than twice as much value as highly satisfied customers (Zorfas & Leemon, 2016). These customers are said to be emotionally connected to a brand when it “aligns with their motivations and helps them fulfill deep, often
unconscious, desires” (Magids et al., 2015, p. 68). The connection builds on emotional motivators that have been identified and amount to more than 300 unique emotions that drive certain behaviours (ibid). Out of these, ten emotional motivators are labelled as high-impact motivators, and include for instance feeling a sense of freedom, feeling a sense of belonging, feeling secure and being the person one wants to be. Due to the fact that these motivators vary across segments and might even be unknown to the individual customer, the process of creating an understanding of, as well as responding to, the customers’ emotions becomes more complex (ibid).

2.1.2 Customer emotion in practice

Over the past years, it has been argued that technology and digitalisation contribute to companies’ abilities to successfully use customer emotion as a part of their customer strategies (Frawley, 2014; Zorfas & Leemon, 2016). Online media enables emotional connections to be multiplied exponentially, since content can be shared easily (Frawley, 2014). For instance, social media plays a facilitating role in the communication and measurement of emotional connections (ibid). This implies that the technological environment offers a vast variety of tools for tailoring and personalising emotional experiences through specific content (ibid). Accordingly, it is shown that customers who engage in an omnichannel experience have a much stronger emotional connection (Zorfas & Leemon, 2016).

In order to achieve growth, Magids et al. (2015) propose three steps for leveraging customer emotion. The first step for a company is to inventory its existing market research and customer data, and to search for motivations and descriptors of emotions. The second step builds on an analysis of the company’s best customers, whose motivators can be used for comparison with those of the overall customer base. Out of these motivators, those that have a strong association with the brand can serve as a guide for what emotions the company primarily needs to connect with. The third and last step involves the whole organisation’s commitment to and appreciation of emotional connection as a leverage for growth. This also includes the centrality of emotional connections being adopted across functions within the organisation. Furthermore, creating a KPI that reflects emotional connection allows for improved measuring and tracking of its progress (Magids et al., 2015).
2.2 Customer development

Customer development is the second stage of the customer life cycle (Bijmolt et al., 2010). In this phase the connection between a customer and a firm is nurtured and strengthened, and the firm can adopt multiple strategies to engage and further stimulate its customers (Van Doorn et al., 2010). By increasing the interaction and engagement rate, firms can develop the emotional, psychological or physical investment a customer has in a brand (Chaffey, 2007).

2.2.1 Approaches to customer engagement

Customer engagement has been extensively discussed in both the academic and practitioner literature, but there is no consensus regarding its meaning, what phenomena constitute engagement or what its antecedents and consequences entails (Maslowska et al., 2016). Several attempts from various stakeholders have been made to define customer engagement where one approach presented by the Economist Intelligence Unit defines the strategy for customer engagement as “the creation of experiences that allow companies to build deeper, more meaningful and sustainable interactions between the company and its customers or external stakeholders” and proposes that “it is not a fixed point that can be reached but a process that expands and evolves over time” (EIU, 2007, p. 2). This perception not only lengthens the customer engagement concept to all experiences and external stakeholders, but additionally suggests that customer engagement is a process that progresses over time (Sashi, 2012). Another point of view is presented by Van Doorn et al. (2010) who argue that customer engagement behaviours go beyond transactions, and is particularly defined as a customer’s behavioural manifestations that have a brand or firm focus, beyond purchase, resulting from motivational drivers (ibid).

2.2.2 The evolvement of customer engagement

Contextual changes for the customer and firm have an effect on the level of customer engagement over time, such as available engagement options and the costs of engagement (Van Doorn et al., 2010). In an increasingly networked society where customers easily interact with each other and firms through social networks, customer engagement options grow dramatically (ibid). Additionally, the perceived cost of customer engagement - monetary, effort based, and social - varies over time (ibid). As customers’ expertise in particular domains increase due to repeated participation, the perceived costs of such participation might decrease (ibid).
2.2.3 Managing customer engagement

Customers can maintain and nurture relationships with a large number of stakeholders, such as other customers, brands, firms and regulators independent of the focal firm, and thereby customers exert impact over the focal firm and its brand (Van Doorn et al., 2010). A stepwise approach to customer engagement is presented by Van Doorn et al. (2010) and involves the identification, evaluation and reaction to customer engagement. By proactively managing customer engagement, firms are able to address and respond to the customers’ expectations (ibid). The first step includes identifying engagement behaviours, where the initial task for firms is to identify the various forms of customer engagement, the different actors, places and content and its potential effect (Van Doorn et al., 2010). Further, the locations and channels where customer engagement behaviour manifests are to be mapped out (ibid). The second step entails evaluating engagement manifestations where the firms contemplate the probable consequences in both short- and long-term objectives (Van Doorn et al., 2010). Customer engagement behaviour can be evaluated based on their quantity, quality, the channel utilised, as well as short- and long-term effects (ibid). Lastly, the third step involves acting on customers’ engagement behaviour and focuses on leveraging and fostering customer engagement. For internal leveraging, the content of relevant customer engagement must be made available to the firm (Nambisan & Baron, 2007). Insights gathered from customers can be highly valuable for the organisation yet setting up effective information systems and processes to achieve this goal is a main challenge for most firms (Morgan et al., 2005). Firms need to nurture and harness the positive potential of customer engagement by fostering channels and venues to stimulate it (Thompson, 2005). A central opportunity to stimulate customer engagement is to provide engaged customers with platforms to express their thoughts and ideas (Van Doorn et al., 2010).

2.3 Customer retention

Customer retention is the third stage of the customer life cycle and focuses on preventing customer churn (Bijmolt et al., 2010). In other words, the purpose of retention is to avoid the termination of the relationship between a customer and a company. Within the retention process the aspects of customer loyalty and advocacy play a vital role, as they ensure longevity in customer interactions and also help attracting new customers.
2.3.1 Approaches to customer loyalty

Customer loyalty has been defined in various ways, often focusing on identifying loyal customer behaviour (Oliver, 1999). Beyond behavioural, the attitudinal and situational aspects of loyalty are acknowledged in the definition of loyalty as “a deeply held commitment to rebuy or repatronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour” (Oliver, 1999, p. 34). Behavioural loyalty is mainly evident through revealed purchase and usage behaviour and is often measured by purchasing history (Mascarenhas et al., 2006). Attitudinal loyalty is referred to as an on-going relationship, where positive customer preferences are existing and the relationship is reinforced by significant others (ibid). Lastly, situational loyalty is described as a somewhat weaker form of loyalty as it is expressed as a contingent relationship to the brand that is often determined by contextual factors (ibid).

In addition, it is argued by Mascarenhas et al. (2006) that customer loyalty is a function of a perceived congruence in values between the customer and the product or service provider (ibid). A higher congruence in values will ultimately lead to a higher customer loyalty. The customers’ attachment to the brand can also be improved via incentives, such as rewards for recommending a service or a product (Van Doorn et al., 2010). Social enticements may further foster customer engagement, for instance when granting a particular status level in a peer-evaluated or activity-based ranking system (Borle et al., 2009).

2.3.2 Customer loyalty matrix

In order to provide a clearer understanding of customers’ degree of relational exchange and emotional bonds Sashi (2012) presents a matrix where customers are categorised by four different stages: transactional customers, delighted customers, loyal customers and fans (see Appendix 1). The first stage represents the transactional customer and is characterised by low relational exchange and low emotional bonds. These types of customers seek minimal personal connection and no anticipation or obligation of future exchanges. The second stage – the delighted customer – is characterised by low relational exchange and high emotional bonds and is reached when the customer’s expectations are exceeded, inducing positive emotions and a high level of satisfaction. Customer interactions with the seller are however infrequent and the transactions sporadic. The third stage represents the loyal customer and is characterised by high relational exchange and low emotional bonds. Loyal customers are
identified via calculative commitment in which lack of options or switching costs generate a lock-in or stickiness with the current provider. This sort of customer is loyal for solely rational purposes and not due to any emotional attachment. The final stage – the fans – are characterised by high relational exchange and high emotional bonds and have an affective as well as calculative commitment toward the provider. The fans trust the providers and become passionate advocates for them. Additionally, these types of customers interact with each other, enhancing the overall satisfaction and reinforcing their loyalty (Sashi, 2012).

2.3.3 Moments of truth
The firm’s most important points of customer interaction are called moments of truth (Heffernan & LaValle, 2007). In these moments it is crucial for companies to capture their customers and deliver as expected (ibid). These moments play a large role in determining whether or not the customers become advocates of a company or brand (ibid). A similar concept is the atomic moments of truth, that extends the original concept by suggesting that these moments are small but plentiful and scattered across diverse contexts (Frawley, 2014). The atomic moments of truth come in different forms and can take place in both online and offline settings, but they all represent opportunities for advanced and enhanced communication and connection. Consequently, understanding which interactions are important and unimportant can help improve the customer experience and prioritise investments, resources and effort to strategically important interactions (Heffernan & LaValle, 2007).

2.3.4 Customer advocacy
The retention stage can be extended to include the concept of customer advocacy. As a part of building a loyal customer base, companies seek to turn customers into advocates for their products and services (Heffernan & LaValle, 2007). A strategic approach is for firms to first advocate for its customers, as they will reciprocate with their trust, loyalty and purchases either now or in the future (Urban, 2004). When customers trust a company, they will often tell others about it, helping to reduce the organisation’s costs for acquiring new customers (ibid). This means that turning customers into advocates can be of strategic importance as it helps a company to ignite further acquisition and attain long-term growth. To have customers reach this level of advocacy is viewed as the ideal outcome for a company seeking to achieve growth, since they are defenders of the brand (Cundari, 2015).
2.4 Analytical frameworks
The theory that has been presented previously in this section serve as a foundation for the analysis and will be discussed through the lens of two analytical frameworks to facilitate the application of theory.

2.4.1 Framework for Customer Growth
The Framework for Customer Growth aims to address the thesis’s first research question by mapping out how a firm leverages customer emotion, customer engagement and customer loyalty in the stages of customer acquisition, customer development and customer retention. Customer emotion is linked to the first stage customer acquisition and highlights the importance of emotional connection in the acquisition process. Customer engagement is connected to the second stage customer development and illustrates an advancement of the relationship between the firm and the customer. Customer loyalty is related to the third stage customer retention, which plays a significant part in deepening the long-term commitment. Ultimately, the completion of this process leads to customer growth. This framework provides a holistic perspective on the essential elements of customer growth and serves as a structure to highlight the various challenges and opportunities associated with each stage.

Figure 1. Framework for Customer Growth
2.4.2 Cycle of Advocacy-Ignited Growth

The Cycle of Advocacy-Ignited Growth aims to address the thesis’s second research question by presenting an alternative view on how to achieve growth. In this cycle, the concept advocacy is central and enacts as an extension of customer retention and an optimal advancement of customer loyalty. This brings forth an additional perspective where existing customers turn into advocates and assist in the process of acquiring new customers without participation of the firm. By adopting this cyclic approach to customer growth, firms enable for a self-sustaining cycle of advocacy-ignited growth to emerge.

Figure 2. Cycle of Advocacy-Ignited Growth
3. Method

3.1 Selected companies

Freeda is a media company founded in 2016 distributing original content targeted to millennial women primarily via the social media platforms Instagram and Facebook (Freeda, 2018). The company’s mission is to inspire positive change for young women by spreading content that foster and celebrate women empowerment, personal style and global sisterhood (ibid). Freeda operates solely in digital environments where technology is key in order to adapt content production and distribution to the fast-changing media landscape. Freeda first launched in Italy and added Spain as their second market in 2018 (ibid). The company’s business model is two-fold in the sense that they attract users to follow their channels as well as work together with partner brands that seek to reach Freeda’s audience by combining advertising with quality content. These partners are currently Freeda’s only source of revenue as they pay to promote their products via Freeda’s social media channels. The users do not pay for consuming the content as this is available for free to anyone using the digital platforms Facebook and Instagram. However, Freeda is dependent on the accumulated number of users as this determines the company’s competitiveness and ability to build partnerships. Freeda’s users will be the focus of this thesis, and the concepts referring to customers that are included in the analytical frameworks apply to these users.

Deliveroo is a food delivery company that was founded in the United Kingdom in 2013 with the mission to transform the way customers eat and bring them evermore choice of restaurant-quality food (Deliveroo, 2018). The company is currently operating in 12 countries and is available in over 200 cities (ibid). To use the service customers place orders in the company’s mobile application or website upon which self-employed couriers transport the orders from restaurants to customers (ibid). The business model is built upon collecting a commission fee from the partner restaurants, as well as charging customers a fee per order (ibid). Deliveroo is similarly to Freeda online-based and also work to attract users as well as restaurant partners as part of their business model. In this thesis, the focus is on the customers ordering food on the Deliveroo application and it is this group that will be analysed using the analytical frameworks. Henceforth throughout the thesis, the terms user and customer will be used synonymously.
Both Freeda and Deliveroo operate in a digital setting and are highly dependent on having an active user base that remains stable over time. Deliveroo has been operative for several years whilst Freeda is still a fairly young company, nevertheless both have experienced significant growth throughout their lifetime. The companies differ in the aspects of business sectors, revenue sources and value propositions. The companies’ similarities and differences provide an opportunity to receive a deeper understanding of how contextual influences affect companies operating in digital B2C business settings.

3.2 Type of study

Studying how companies leverage customer emotion, customer engagement and customer loyalty in order to achieve growth is a complex matter involving many aspects. Therefore, a qualitative research method was considered appropriate in order to capture the fine nuances of the related processes that are in place as well as build a comprehensive understanding for the analysis. In order to receive deep insights into the phenomenon within a specific context, a case study design was chosen (Bryman & Bell, 2015; Saunders et al., 2009). Further, as previous literature on customer emotions, customer engagement and customer loyalty primarily constitute the foundation for the analysis, this study takes a deductive approach to the research topic. Moreover, as the way of working with acquisition, development and retention of customers may vary across organisations, two different organisations were chosen for the study. This comparative case study design allows for comparing and contrasting the findings from each case. As the phenomena is investigated in relation to two separate organisations, it also enables for a better understanding of them (Bryman & Bell, 2015).

3.3 Data collection

The data was gathered through conducting interviews at the two respective companies. The decision to employ interviews as research method was mainly based on its suitability for case studies (Saunders et al., 2009), given its potential to provide comprehensive insights within the research area. All the interviews were executed via Google Hangouts and took place within a span of two weeks. By recording the interviews, the authors were able to give their undivided attention to the interviewee and additionally ensured that all available data was collected. In the beginning of the interview, the interviewee was asked to speak about his or her role within the company in order to initiate the conversation in a relaxed manner and
create a natural transition to questions concerning customer emotion, customer engagement and customer loyalty.

The interviews were semi-structured and based on different key points where the interviewees were asked to speak about various themes, which further suited the objective to explore and receive a broader understanding of various perspectives. This interview method allows for the conversation to primarily be guided by the interviewees’ own perceptions and thoughts, thus reducing the risk of influencing the interviewees though an interviewing effect. In order to give the interviewees the opportunity to respond freely and to elaborate their answers, open questions were asked (Saunders et al., 2009), which also provided the authors an opportunity to ask follow-up questions. Another advantage of conducting interviews is that a personal connection can be established (ibid), something that was considered valuable in order for the interviewees to feel comfortable during the interview.

3.4 Ethical considerations

Whilst conducting any form of research there is ineluctable risk that the authors may consciously or unconsciously perform actions that could defy ethical boundaries. These risks cannot be utterly eliminated but can nevertheless be abridged via attentiveness and careful navigation by the authors. One ethical concern to take into consideration for this study is the ensuring of informed consent by the interviewees. This risk is evaded by providing prospective interviewees with adequate information regarding the study’s purpose and configuration in order for the interviewees to make an informed decision whether or not they wish to proceed their participation (Bryman & Bell, 2015). Additionally, prior to the interviews the interviewees received information stating that recording equipment will be used and that the recorded data would be made available only to the authors and thenceforth be deleted upon the study’s completion (ibid). The interviewees were asked to give their consent to this procedure before the authors continued the interview process.

Another ethical concern that was addressed is that the study’s collection of data involves gathering information concerning the companies’ strategic operations. Consequently, as this may include sensitive data, it is essential to assure that the interviewees are conscious and agree to share this information and as well as having received permission and guidelines from their managers. This risk connects to another ethical issue involving harm to participants. Sharing company secrets may cause severe harm to participants and thus it is imperative to ensure that this risk is obviated. Lastly, the ethical concern of deception was taken into
account. Deception occurs when authors present their research as something other than what it actually is (Bryman & Bell, 2015). In this case the risk of deception is considered to be relatively low, as the objective of the study is not to approach any sensitive or profound research area, which would otherwise necessitate formulation of more indirect questions and entail a circuitous process. This ethical concern was abridged by providing the interviewees with information about the study’s actual purpose as well as framing the interview questions accordingly and without a hidden agenda. There is however a slight risk of deception which is difficult to circumvent as the intention is to not share too many details about the research as this could affect the interviewees’ responses and impair the chance of receiving natural responses.

3.5 Selection of interviewees
For the data collection process, a total of nine interviews were conducted with employees of which five work at Freeda and four at Deliveroo. The selection of interviewees was mainly a result of the accessibility to the both companies and could therefore not be decided beforehand. However, there was a deliberate focus on selecting interviewees who had insight into both the strategic and operational aspects of the acquisition, development and retention processes. The different perspectives across the roles were considered an essential aspect in order to gain perception of both organisations as a whole.

At Freeda, two of the interviewees have the roles co-founder and CEO and the remaining three roles are: Chief Marketing Director, Editor in Chief and Head of Insights and Platforms. The interviewees at Deliveroo have the following roles: Marketing Director, Marketing Director for UK and Ireland, Vice President of Growth and Chief of Staff to CEO. Consequently, the interviewees at the respective companies have different experience and expertise and are able to provide complementing perspectives. The selection of interviewees was mainly based on several “informant groups”, which is beneficial in order to capture nuances between the interviewees’ different perspectives and roles (Dalen, 2015). More informant groups could have been used to gain a richer understanding, however a deliberate limitation to the interviewees mentioned above was made mainly due to the scope of the thesis. The selected informant groups were considered to have the knowledge and experience required for answering the research questions. Finally, this thesis focuses on the collection of several perspectives relating to customer emotion, customer engagement and customer loyalty rather than the evaluation or comparison of particular roles’ relation to these aspects.
Therefore, the interviewees in the study are referred to as “Interviewee A, B, C…” etc. and not to specific titles. The interviews are summarised in Table 1 and 2 below.

### Table 1. Interviewees at Freeda

<table>
<thead>
<tr>
<th>Freeda</th>
<th>Role</th>
<th>Date</th>
<th>Interview Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee A</td>
<td>Chief Marketing Director</td>
<td>2017-04-24</td>
<td>41 minutes</td>
</tr>
<tr>
<td>Interviewee B</td>
<td>Editor in Chief</td>
<td>2017-04-23</td>
<td>46 minutes</td>
</tr>
<tr>
<td>Interviewee C</td>
<td>Co-founder and CEO</td>
<td>2017-04-21</td>
<td>41 minutes</td>
</tr>
<tr>
<td>Interviewee D</td>
<td>Head of Insights &amp; Platforms</td>
<td>2017-04-23</td>
<td>37 minutes</td>
</tr>
<tr>
<td>Interviewee E</td>
<td>Co-founder and CEO</td>
<td>2017-04-17</td>
<td>51 minutes</td>
</tr>
</tbody>
</table>

### Table 2. Interviewees at Deliveroo

<table>
<thead>
<tr>
<th>Deliveroo</th>
<th>Role</th>
<th>Date</th>
<th>Interview Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee F</td>
<td>Marketing Director for UK and Ireland</td>
<td>2017-04-24</td>
<td>44 minutes</td>
</tr>
<tr>
<td>Interviewee G</td>
<td>Marketing Director</td>
<td>2017-04-24</td>
<td>37 minutes</td>
</tr>
<tr>
<td>Interviewee H</td>
<td>Chief of Staff to CEO</td>
<td>2017-04-25</td>
<td>45 minutes</td>
</tr>
<tr>
<td>Interviewee I</td>
<td>Vice President of Growth</td>
<td>2017-05-01</td>
<td>34 minutes</td>
</tr>
</tbody>
</table>

### 3.6 Operationalisation

The interviews were structured around the three aspects customer emotion, customer engagement and customer loyalty, which were divided into the themes customer acquisition, customer development and customer retention. The outline of the interview questions can be found in Appendix 2. All interviewees were asked roughly the same questions but were encouraged to give their own perspective with regards to their roles. In the introduction of each theme, questions about the general processes for acquisition, development and retention
were asked in order to give the interviewees a chance to highlight their primary thoughts and ideas. This also served as a way of detecting if and how the interviewees steered their answers toward the associated aspects of customer emotion, customer engagement and customer loyalty. The reason for this structure of the questions is to clarify and emphasise the connection to the analytical frameworks.

The first part of the interview related to the customer emotion concepts in regards to customer acquisition. To receive a general understanding of the acquisition process the interviewee was asked to explain how the company works to acquire new customers. Thereafter, the questions were narrowed down to the aspect of customer emotion. In order to understand the companies’ strategic approach to customer emotion open questions were asked about the role of emotions in the acquisition process, what they seek to achieve by focusing on customer emotion and in what ways the company is able to tell when there is an emotional connection with a customer. The second part of the interview concerned the customer engagement concept and how it relates to customer development. First, the interviewee was asked to describe how the company works to develop a deeper relationship with customers that have had some type of previous interaction with the brand. Subsequently, the remaining questions for this theme were connected to how the companies respectively work with achieving customer engagement, and how engagement is measured and analysed. The third and last part of the interview concerned the customer loyalty concept in regards to customer retention. The interviewee was initially asked to explain how the company works to retain customers over time. Next, questions were asked related to the use of loyalty schemes, how the company recognises a loyal customer through behaviour and what the critical moments in the interactions are in order to retain users. In particular, the questions asked in this theme enabled a distinction between the two analytical frameworks, as the Cycle of Advocacy-Ignited Growth provides an extended view by adding the role of the advocate. Lastly, the interviewees were asked to explain in broad terms how the fact that the companies are digital affect how they view the process as a whole.

3.7 Data processing and analysis

The interviews were transcribed shortly after they were conducted, either the same day or the day after, in order to ensure a good understanding and recall of the material at the time of the coding (Bryman & Bell, 2015). The thematic structure of the interviews constituted the foundation for the coding and data processing. In the coding process, the collected data was
divided into close and distant experiences as a way of interpreting the interviewees’ statements in a structured and analytical manner (Dalen, 2015). A close experience is descriptive and relates directly to what the interviewee explicitly said during the interview, whereas a distant experience is an interpretation of what the interviewee actually tries to express. Processing the data according to this method hence can give a comprehensive and complementary view of the data in its entirety as it includes the direct thoughts and ideas as well as interpretations and reflections. The interpretations were thereafter categorised to fit the different theoretical themes that are brought up in the analytical frameworks, where different aspects or themes were highlighted with certain corresponding colours. This was done to ensure consistency in the use of labels, facilitate the discussions among the authors and aid in the analytical process. Table 3 below illustrates this proceeding in further detail.

Table 3. Coding table

<table>
<thead>
<tr>
<th>Close experience</th>
<th>Distant experience</th>
<th>Literature (colour)</th>
</tr>
</thead>
<tbody>
<tr>
<td>“We are building Freeda as if Freeda was your friend.”</td>
<td>Each customer should feel a close and valuable connection to the emotions that Freeda communicates</td>
<td>Customer emotion (pink) Freeda</td>
</tr>
<tr>
<td>“People’s expectations change over time and now that’s considered to be, you know, slightly less magical and a bit more normal.”</td>
<td>Deliveroo must evolve with changing trends in order to be able to exceed customers’ emotional expectations</td>
<td>Customer emotion (pink) Deliveroo</td>
</tr>
<tr>
<td>“We try not to take shortcuts”</td>
<td>The ambition at Freeda is to avoid simple and easy ways to make users engage and instead encourage engagement in an authentic way</td>
<td>Customer engagement (green) Freeda</td>
</tr>
<tr>
<td>“Engagement is also ensuring that when things do go wrong that you are able to ensure that you fix those things extremely effectively”</td>
<td>Engagement does not necessarily originate from entirely positive customer experiences, but is rather related to how a customer experience is handled</td>
<td>Customer engagement (green) Deliveroo</td>
</tr>
<tr>
<td>“Every time we publish a content it’s a sort of rush, and every time we got to convince people.”</td>
<td>Freeda needs to continuously ensure that they publish the right content in order to reach users through the media crowd and keep them loyal</td>
<td>Customer loyalty (yellow) Freeda</td>
</tr>
<tr>
<td>“We prefer to accentuate ensuring that there is exclusive content you cannot get anywhere else”</td>
<td>Loyalty is best achieved when the offering is not possible to substitute</td>
<td>Customer loyalty (yellow) Deliveroo</td>
</tr>
</tbody>
</table>
4. Findings

4.1 Freeda

4.1.1 Acquisition: Freeda

The media company Freeda acquires its users through digital channels, mainly Facebook and Instagram. The acquisition is enabled by Freeda’s publication of original content in the forms of videos, text, images, illustration and digital advertisements. Freeda’s content is explained to be the primary marketing driver, as a user’s first encounter with Freeda most of the time is through some form of content rather than the brand page. Therefore, a high quality of this content is vital during the acquisition process. At large, the content that Freeda publishes should capture users’ attention, be recognisable, be relevant and consistent to the brand values.

4.1.2 Customer emotion: Freeda

All interviewees at Freeda agree that emotions play a vital role in building initial connections with their users, something that has been a given direction of the brand since its launch. Interviewee C describes the role of the content when establishing a connection: “We built a connection with them [the users] since the brand beginning, because the editorial positioning of the brand was very strong”. The positioning of the brand in turn rests on three main values that are women achievement, personal style and global sisterhood. The emotional perspective is highly connected to the purpose of the business itself, and the starting point for Freeda was to initiate a positive change in how women are viewed and portrayed in traditional media. Since women were not represented in a modern way in media, the connection to the audience of millennial women was lacking, which ultimately became the foundation for the brand Freeda and its goal to improve the world. Interviewee B explains: “It is not a riot brand that wants to destroy the reality, but we want to change it.” Therefore, both triggering and responding to emotions in the audience also becomes a deliberate focus for all the content that is published.

It is believed that Freeda’s ability to trigger the users’ emotions is the main reason why the relationship between brand and user is so strong. Interviewee E says: “We are building Freeda as if Freeda is your friend. So, we are building a persona. We are not building a cold brand that speaks to you with a top-down approach.” Several of the interviewees mention that the brand should communicate a bottom-up approach, which highlights the users’ roles in
building the identity of the brand and enabling emotional connections among millennial women. Interviewee A explains: “At the moment the only goal is to put on the biggest community of millennial women, the biggest that we can, that is recognising our values of course”. Nevertheless, from the interviews it becomes apparent that the notion of community does not only concern Freeda’s users, but also the partner brands as well as the employees themselves. At Freeda, a mindset that embraces the brand values is more important than a specific skill set. Interviewee B says: “It feels good to work here because you feel part of this change”.

In order to strategically communicate the right emotions, the employees at Freeda use an emotion graph that distinguishes between different emotions, which guides the production of content and contributes to consistency of the brand message. However, as the connection is two-way between the brand and the users, is it important to both communicate the appropriate emotions as well as tracking the users’ emotional responses. The marketing team puts much effort into trying to understand what resonates more with Freeda’s users, for example by increasingly tracking emotions through sentiment analysis of the comments on their contents. Interviewee A explains: “It [the analysis] is a hard job, there are a lot of technological tools that could help you in doing that, but at the end of the day it’s more about our relation so you got to read all shades of this comments and the sentiment and what people are telling you.” In understanding the users and adapting the content to their needs, Interviewee D raises the point of also understanding the differences between platforms with regards to user behaviour: “Users go on the platforms to do different things [...] our users’ emotions play a big role, and especially we try to understand in which state of mind they are when they use a platform over the other.”

Finally, the interviewees emphasise the importance of continuously making emotional connections with the users throughout their lifecycle. The emotional responses need to be triggered in order to keep users over time. Having the emotional connection in place is considered a requirement for developing the relationship further after the acquisition. Interviewee A says: “That is the best way to get engagement, the emotion”.

4.1.3 Development: Freeda

Freeda is built around its users and Interviewee A states: “The user is the most precious thing we got here”. Large amounts of aggregated demographic data and various KPIs about the
users’ behaviours are gathered and analysed in order to optimise the content and customer engagement. As the users are considered the company’s greatest asset it is also imperative for the company to ensure continuous qualitative interaction with their users. Interviewee E emphasise the importance of taking care of the conversation with the users and says: “We answer to all the messages, comments and critics - to everything. So, 100% answer”. To continuously learn more about the users through quantitative and qualitative activities is considered fundamental in Freeda’s approach to customer development.

4.1.4 Customer engagement: Freeda

All interviewees at Freeda bring up the engagement rate as the company’s most important KPI and Interviewee A stresses this by saying: “Engagement for us is absolutely crucial”. Interviewee B explains that the metric allows for them to measure the level of interaction based on their reach and includes engagement in the form of likes, comments, shares and other reaction symbols available. By monitoring the engagement rate daily for each published content, Freeda is provided benchmarks that enable the company to analyse what content generate the highest engagement rate. The interviewees emphasise however that a high engagement rate is not always synonymous to quality content. This is considered a risk when publishing click-baiting content, where users are encouraged to engage, and may result in a high engagement rate, but where users are not actually engaged. Interviewee B says: “It [click-baiting] is a way to increase engagement but it’s not organic, you are doing it because I am asking you”. Interview D clarifies that they avoid publishing this type of content and says: “We try not to take shortcuts”.

Another aspect to take into account is the sentiment behind the engagement. Interviewee A explains that disapproving and negative comments by the users can result in high engagement rates and therefore it is essential not to be misled by a high engagement rate, but instead analyse and interpret the sentiment of the engagement. Interviewee A says: “You got to go deep inside that engagement, try to understand it and what kind of engagement it is”. In order to understand the sentiment of the engagement better the marketing team is using analytical tools that provide information regarding the ratio of positive versus negative comments. Furthermore, all the interviewees underline the importance of the continuous iteration process for improving the content and learning what will engage the users and Interviewee D says: “It is something that we keep on doing, you never find the secret sauce”. In Freeda’s case, it is a balance between publishing content that is provocative but still in line with the company’s
values and thus it is key for the company to monitor how the content is perceived by its users (Interviewee A). This challenge is also raised by Interviewee B who says: “The point of Freeda is that our stories provoke engagement”.

An important factor for Freeda in its interaction with users is to publish content that the users perceive as consistent to Freeda’s values and Interviewee A explains: “You cannot break the trust that people have given you”. The company’s business model builds on having partnerships and promoting products through their channels and therefore combines qualitative content with their partners’ messages in a discrete and relevant way. The interviewees raise the importance of carefully choosing the partners they work with and to ensure that their values and messages can be aligned with Freeda’s image. Interviewee A explains: “They [the users] are judging us and they are also judging the partner of our communication…the partner has to be consistent with our values, that is the only way the users will accept the communication of a brand with us”.

Lastly, the interviewees mention the aim to become an integral part of their users’ lives. Interviewee A says: “It is not a matter of numbers, it is a matter of how much that people look at Freeda as a point of, you know, as a guide for their life.” Similar to this, some interviewees bring up the possibility that Freeda eventually might evolve into more than a media production company in the future. The trend related to merging of media and commerce is a major reason behind this consideration. Other drivers are the opportunities of personalisation for each user and the increasing fragmentation of the users between different platforms.

4.1.5 Retention: Freeda

In order to retain users, Freeda needs to continuously reach out to users with relevant content in a complex media environment. Freeda’s efforts to retain users do not involve any type of loyalty program nor any rewards for engagement, but are rather focused on publishing more high-quality content that the users enjoy. The reason for this approach is explained by the type of offering that Freeda has as a digital media production company, with fast but recurring encounters between the users and the brand. Interviewee C clarifies this by claiming that the customer experience happens every day instead of only a few times over the course of the year. Further, Interviewee C elaborates: “Potentially, we retain them [the users] every day. Every single day. [...] We’re always available to them and so it’s always about the content.”
4.1.6 Customer loyalty: Freeda

At Freeda, loyalty is defined as the stickiness of the audience. There is not a single view of loyalty that is consistent across all the interviewees, but users are for example described as loyal when they “interact with the content, when they send us messages and when they keep happy about our offer” (Interviewee C). However, all interviewees agree that loyalty is closely related to engagement and stable engagement rates are viewed as a stable loyalty effect that has been triggered over time. As a relatively new and growing brand, Freeda is in the transition from having a smaller but very loyal user base, where early adopters were dominating, to a user base that is larger but more scattered across different levels of loyalty. In other words, the loyalty varies between the users, but those who are more engaged and interact more with Freeda are in general also viewed as more loyal and are referred to as “core users”. An aspect that is particularly critical in Freeda’s case is the highly competitive digital environment in terms of the plethora of both user accounts and other brand pages that compete for attention in the users’ social feeds. Interviewee A says: “Every time we publish a content we are competing with all pages, everyone using Facebook. So, every time it is a sort of rush, and every time we got to convince people.”

According to all interviewees, loyalty is seen as very important and the goal is to keep users loyal rather than to acquire new ones. In Freeda’s case, the loyal behaviour usually is manifested as interacting with the content, for example when a user shares content on its own profile, which takes the form of a personal standpoint connected to the content. Interviewee B says: “Every time they decide to share a video of Freeda on their profile page, they are doing something very personal because it is something they are communicating to all their friends.” In other words, a loyal user contributes to spreading Freeda’s brand and values by sharing the content that reflects the user’s standpoint with her friends. The users with this behaviour work like ambassadors.

4.2 Deliveroo

4.2.1 Acquisition: Deliveroo

The foundation of Deliveroo’s customer acquisition is based on the three main strategic aspects price, selection and service. How well the company performs in these areas is translated into the quality of the overall product-market fit, which in turn is the main driver for organic growth. Interviewee F describes a flywheel effect, including both online and
offline efforts, which allows the brand to grow in a market once a certain scale is reached. It begins with more in-restaurant signage of Deliveroo, leading to more orders, which in turn means more work to the Deliveroo riders. As a result, there are more Deliveroo-branded riders helping to increase the brand presence in the market. Eventually, all these actions result in a virtuous cycle of more customers and more in-restaurant marketing, which helps to create more top-of-mind brand awareness among customers. This top-of-mind awareness is critical as Deliveroo’s service is often purchased as the result of a fast decision-making process.

4.2.2 Customer emotion: Deliveroo

Since the launch of Deliveroo, the ways in which the company provides and thinks about customer experiences have changed. Interviewee F explains how they at first looked more at “curating an experience for a customer”, which involved presenting a platform of selections that reflected what the employees liked. The change to a more customer-centric view is described further by Interviewee F: “Over time as we learnt more about our brand and how customers perceive that brand we have deviated from a curated experience to one that is more reflective of, actually truly of, what the customer wants and what they respond to. And that is a highly emotive thing.” Ensuring a strong restaurant selection is viewed as the best way to attract and convert new customers. In order to understand the customers’ behaviour and preferences, Deliveroo closely monitors its various customer cohorts.

As top-of-mind awareness is a main determinant of potential customers’ purchasing decisions, the emotional connections become critical. This is particularly emphasised by Interviewee G: “We have some data that shows that customers will decide like four, five, six p.m. that they are going to order Deliveroo that night for dinner. So, it is not a long, drawn out thing [...] And so that means they are kind of going back to that top-of-mind awareness, so we need to make sure that we are present for them, and then we need to make sure that they have a positive emotion associated with us that is, like, more positive than a competitor.” In order to create this type of positive associations, Deliveroo attempts to create emotional connections with their customers by focusing on values such as empowerment and confidence. These emotions are important as they put the customer in control over the ordering process and also invoke a sense of trust in the brand, which lessens customers’ concern or fear that problems will occur with their order. Interviewee I says: “I do not think we feel it is our job to connect strongly with a customer. They should feel like they are in control over the whole process.”
However, besides focusing on the emotional connection, the interviewees also emphasise the more functional part of the customer experience. Interviewee G stresses that functionality in terms of operational excellence and good product-market fit are the underlying components of a strong connection with customers. Further, Interviewee G says: “If our customer cohorts are turning upwards, then we know that we are doing something that is encouraging, like, this repeat frequency, which means that we either have a better product-market fit than competitors, or we have an emotional connection, or some combination of both. I probably do not distinguish that much, honestly, between the emotional side of things and product-market fit.” Interviewee F also highlights the importance of offering both emotional and more utilitarian basic experiences: “Over time we have gone more and more down market, not because we’re greedy and trying to work with everyone, but because there is a time and place for every type of experience for our customer.”

Similar to the functionality aspect, several interviewees mention that Deliveroo’s product at first was seen as “magical and innovative”, although it is increasingly becoming more of a utility to the customer. Now Deliveroo faces the challenge of changing customer expectations as food delivery is becoming more common: “People’s expectations change over time and now that is considered to be, you know, slightly less magical and a bit more normal.” (Interviewee I).

4.2.3 Development: Deliveroo
The interviewees raise that the company’s customer development is first and foremost based on the foundation of having the right selection, price and service and it is further stressed that these three components have been the main pillars of Deliveroo since its inception. Interviewee H addresses this by saying: “I think it all starts with how you interact with our products” and continues by giving an example: “We have always been, you know, really hammering the point on selection comes first”. The interviewees clarify that in order to succeed with any customer development efforts, the product itself needs to meet the customers’ expectations.

4.2.4 Customer engagement: Deliveroo
The customer engagement amongst Deliveroo’s customers is measured by reviewing the purchasing regularity within the cohorts. Another core metric within the organisation is the
number of active users within each cohort. What constitutes an active user has however shifted notably over time where the initial definition considered a customer returning within 90 days an active customer, whereas today a customer needs to be active on a weekly basis in order to fall under the category of an active user. Interviewee F explains that Deliveroo has become a high frequency product and that: “It is verging on being a utility”.

Deliveroo is working with numerous online and offline channels in order to achieve customer engagement and are continuously trying new channels and styles of communication to analyse what activities give the best effect. Interviewee G explains: “We will do a bunch of different experiments to kind of optimise that media mix”. Further efforts to attain customer engagement entails various marketing mechanics such as email marketing and push notifications, in which the messages are designed to underscore at least one of the three main components of selection, price and service. Interviewee I explains: “It is about finding the right group of customers and getting good messages that are relevant and meaningful”.

Moreover, all interviewees emphasise that the company has developed significantly over the years to progressively become more sophisticated in their customer engagement activities. Interviewee F says: “As a business we have evolved and grown up and as we have become more sophisticated in how we test, measure and learn”. There is unanimity amongst the interviewees concerning the importance of A/B testing and being open-minded in order to learn and improve. Interviewee I says: “You just need to take a very experimental mindset and try all sorts of different things in several ways and understand what were the right things that increased customers’ engagement”. Interviewee H further emphasise the scientific approach adopted by the company where conducting research, using test- and control groups are reoccurring practises. One of the tools used for customer engagement is a system that captures the net promoter scores. This system involves asking the customers how likely they are to recommend Deliveroo on a scale of one to ten and also allows for the customers to leave additional feedback. Interviewee G explains that they go through the net promoter scores on a regular basis in order to map out and understand the different insights. Subsequently, they turn these insights into opportunities that go into the product planning cycle.

Furthermore, the company has amplified foci on optimisation of the logistics and on improving personalisation features. Some of the implementations involve smoother check-outs, faster deliveries, introduction of the reorder button as well as providing options relevant
to the customer’s liking. Interviewee I says: “... while customers are using the application it is a good opportunity for you to engage with them better and to personalise and customise some aspect of their journey in those small number of seconds or minutes that they are on there”. Interviewee H also states that their improved algorithms allow for a better customer experience and customisation and points out: “The next level that we are doing now is basically thinking about personalisation and I think personalisation is a big thing that increases customer engagement”. The recent devotion on improving personalisation features has also resulted in incremental increase in order frequencies by customers in a given month. This is a measurement that is highly valued as it reflects the customers’ growing engagement over their lifetime.

4.2.5 Retention: Deliveroo

The interviewees at Deliveroo describe the food delivery industry to have grown rapidly over the past years, which has resulted in a highly competitive landscape where the different brands are yet to fully position themselves on the market. As a result of increasing interest from the customers, several actors have entered the market that is still in an early phase making it challenging to retain customers completely. The interviewees further describe the market not to be loyalty-driven and the majority of the Deliveroo customers have an overlap with a competitor. In the food delivery industry, performance is argued by the interviewees to overtake loyalty. Subsequently, the brand that is going to be the biggest on the market will offer the best selection and operational experience and thereby be able to retain customers. Interviewee G explains: “It is a winner-take-all-market, at least in a geographical sense”.

4.2.6 Customer loyalty: Deliveroo

The view of customer loyalty is divided up into two approaches amongst the interviewees where the main perspective entails customer loyalty seen from a pragmatic standpoint. From this angle customer loyalty is considered to be connected merely to economic and selection incentives, where Deliveroo is able to provide the best offering in terms of price and exclusive selection of restaurants, resulting in customers repeatedly returning to Deliveroo rather than a competitor. Interviewee G says: “I would define customer loyalty as rewarding customers who choose to purchase from us at the expense of competitors”. Beyond competitive pricing, the exclusive selection of restaurants gives Deliveroo an opportunity for differentiation from its competitors and is seen as one of the company’s strongest selling points in order to win over and retain customers. Interview F says: “We prefer to accentuate ensuring that there is
exclusive content you cannot get anywhere else, in order to maintain that customer longevity and loyalty”. The other perspective brought forward by the interviewees addresses customer loyalty as a part of customers’ feelings of attachment toward the brand and the product. When speaking about loyal customers Interviewee I says: “Our product needs to be something people love”.

In order to categorise the users to different levels of customer loyalty, the system for net promoter scores with the 1-10 scale and feedback options is used as a metric within the organisation. Depending on their responses, the customers are divided into three groups ranging from the least loyal customers categorised as detractors, then the middle group referred to as neutrals and lastly the most loyal group holds the promoters. Interviewee G explain that this metric is used to review the status of customer loyalty within the user base and stresses: “[...] And of course you want more promoters than neutrals or detractors”. Aside from the net promoter scores, Deliveroo has created its own loyalty ranking system where customers are segmented into inactives, actives and ambassadors. Interviewee G explains the differences between the three segments: “Ambassadors are the ones that are, like, highly engaged, they are ordering all the time, they love our service, you know, actives order every once in a while, and inactives ordered at some point but never...have not ordered again”.

As part of Deliveroo’s retention efforts the company offers a referral program, in which each party receive a voucher to be used in the application. The referral program is seen as an effective method to incentivise the customers to engage with their friends and encourage them to use the product. Another activity linked to customer loyalty is Deliveroo’s subscription program named Deliveroo plus that involves the customers paying a monthly fee for unlimited food delivery. The customers that signs up for the program are likely to remain loyal with Deliveroo for the time of their subscription and are also incentivised to order more often. The Deliveroo plus service is planned to potentially expand to include other benefits for its customers with the ambition to add value for the customer beyond the pure economics. Two examples of what these benefits could be are prioritisation of faster deliveries for Deliveroo plus customers as well as a designated customer service line. Another future scenario involves Deliveroo turning into a portal that is integrated with the customers and health applications and diet requirements. Interviewee H further explains: “[A portal] that tailors your product offerings to you so well that all you need to do is either approve what the
recommendation is or just quickly select your routine items and then get your food delivered”. The main focus for Deliveroo plus would be to know the customer and customise the experience to include fewer but better and personalised options.

A critical moment for Deliveroo is described to be in the customers’ interaction with customer service. Recently there has been an elevated focus on customer service as a result of a longer period of bad operational experience within the call centres and Interviewee F says: “Back in the day we viewed customer service, and a lot of companies will, as a cost centre”. Interviewee G further explains the distress experienced amongst the customers: "You can’t trust it [the company], it’s not there, it won’t protect you, it won’t be there when something goes wrong. And that’s where we have seen most customers churn”. Deliveroo decided to conduct global qualitative and quantitative cohort studies that confirmed their thesis of inadequate customer service being the main contributing factor for the dissatisfaction amongst customers. This realisation led to a shift in mindset within the organisation where customer service changed be seen as a chance for frontline customer interaction and Interviewee F further explains: “It gives you a wonderful opportunity to engage that customer in a way that they didn’t expect”.
5. Analysis

In this section, the findings are analysed with support of the two analytical frameworks: The Framework for Customer Growth and the Cycle of Advocacy-Ignited Growth. The former framework gives a more general overview of how customer emotion, customer engagement and customer loyalty are used to leverage growth, while the latter employs a more detailed focus on the retention process in terms of loyalty and the creation of advocates.

5.1 Framework for Customer Growth

5.1.1 Customer emotion

Both Freeda and Deliveroo are similar in the way that they both have a strong core to focus on in order to stimulate acquisition. For Freeda, it is mainly about the quality of the content, while Deliveroo instead depends on the product-market fit. These foci indicate that there is a certain uniqueness that both brands strive to uphold to attract customers. There are some emotions that are especially emphasised in the communication and interaction with customers. For Freeda, the brand values of women empowerment, personal style and global sisterhood can be directly connected to three particular high-impact emotional motivators: feeling a sense of freedom, feeling a sense of belonging and being the person one wants to be (Magids et al., 2015). As these emotional motivators have high-impact, it is evident that Freeda’s brand purpose is highly emotional. On the contrary, with respect to Deliveroo’s offering being described as a utility, other emotions become important in the customer connection, such as trust and being in control of the order. While Deliveroo has a less emotional and more functional service offering, feeling secure is one of the high-impact emotional motivators (ibid) that Deliveroo aims to trigger in their customers. Furthermore, both companies underline the importance of recognising customer emotions and adhering to customer needs and expectations as this is considered critical in order to acquire customers (Heffernan & LaValle, 2007; Mascarenhas et al., 2006). This is visible in Freeda’s bottom-up approach and the attempt to build the brand as a friend to the user. For Deliveroo, this is evident in the change towards a more customer-oriented selection of restaurants.

Being two relatively new companies, Freeda and Deliveroo reveal future aspirations that involve more personalised aspects of the offering and becoming even more accessible to the customer. This becomes a form of extension of the already existing emotional connection that serves to strengthen it and make it more unique, which is similar to Zorfas & Leemon’s
(2016) notion that an omnichannel experience creates a much stronger emotional connection. Operating on social media platforms such as Instagram and Facebook, Freeda also employs analytical tools to understand the emotions they provoke in their users. This is in accordance with Frawley’s (2014) argument that social media facilitates the communication and measurement of emotional connections. Moreover, both Freeda and Deliveroo use KPIs to track emotional connections by for example analysing likes and comments or analysing cohorts or customer feedback, which is in line with Magids et al. (2015). Further, the large amount of data that both Freeda and Deliveroo gather from their customers in turn increase the companies’ knowledge of customer emotions and values, which can facilitate in reaching the highest level in Frawley’s (2014) hierarchy of connections and therefore the strongest possible emotional connection.

Both Freeda and Deliveroo deliberately use and analyse user and customer data in order to identify emotional motivators and descriptors, which corresponds to the first step – inventory of existing market research and customer data – in order to achieve growth by leveraging customer emotion according to Magids et al. (2015). No explicit strategies regarding step two (ibid) – the analysis of the best customers’ emotions – were found. However, there are still indicators that both Freeda and Deliveroo adopt the emotional communication style that is suitable for the majority in terms of attracting customers, although no specific strategy for this process is defined. In terms of the third step (ibid) – the organisational commitment to emotional experiences – this is clearly emphasised among the employees at Freeda and also serves a strategic purpose in order to be able to create appropriate content. While the employees at Deliveroo express a passion for creating the right customer experience, this is achieved by a more functional aspect that allows the customer to be independent and in charge.

5.1.2 Customer engagement

Both Freeda and Deliveroo treasure the value in operating in a digital setting as it opens up for greater possibilities for exposure and customer engagement, a point that is also highlighted by Van Doorn et al. (2010). For Freeda in particular, the business model is built on the foundation of customer engagement in a networked society and this is the core of all operations. The most important KPI in the company is the engagement rate which is directly related to Freeda’s overall success rate. Deliveroo instead has a broader scope of core elements affecting the company’s success rate, where for instance different components of the
operational performance are key. In addition, the company has a direct responsibility to meet the customers’ expectations. The two companies also share the vision to be able to offer a more personalised experience where the customer receives content that is tailored for their specific preferences, as well as the company being able to offer products and services that adds value to the initial offering. Another similarity is that both companies work iteratively and adopt an experimental approach in order to find the best value offering.

The cost of engagement for Deliveroo’s customers covers monetary, effort-based, and social costs that fluctuate over time, which coincides with Van Doorn et al. (2010) line of reasoning. Beyond paying for the service, Deliveroo’s customers additionally need to make efforts when ordering and entering their payment details as well as considering the social costs in terms of personal and external costs. These engagement costs might keep customers from engaging, nevertheless Deliveroo works to decrease these costs by for example offering a subscription program that lowers the perceived engagement cost for frequent customers. As users become more familiar with the Deliveroo platform due to repeated participation the perceived cost of engagement further decreases, which corresponds to the argument of Van Doorn et al. (2010). On the contrary, Freeda’s users face low engagement costs as no extra efforts are required to consume Freeda’s content once they are online on the common-shared platforms.

Neither of the companies explicitly adopt any stepwise approach to manage customer engagement. However, the steps presented by Van Doorn et al. (2010) can all be detected in both companies’ operations. The first step involves identifying engagement behaviours and the various forms and actors that these comprise. Because of the strategic importance of engagement, Freeda is working extensively to identify customer engagement as well as having a structure for collecting engagement data from respective platform. Deliveroo has chosen to mainly focus on purchasing regularity and the number of active users within each cohort as a way to identify any irregularities concerning the customers’ behaviours.

The second step entails evaluating engagement manifestations and analysis of the short- and long-term consequences. Freeda execute comprehensive work to evaluate how the published content is received by the user base, where an essential component is reviewing the sentiment and quality behind engagement behaviours. The company is aware of techniques for how to increase the quantitative aspect of customer engagement, such as click-baiting content, but chooses to prioritise qualitative engagement as this is considered to benefit the engagement in
the long term. These forms of evaluation coincide with Van Doorn et al. (2010) description of the second step in managing customer engagement. Deliveroo is evaluating the engagement manifestations mainly by conducting qualitative and quantitative customer research and subsequently analysing its short- and long-term effects. One of the insights gathered from this type of evaluation is the previous insufficiently managed customer service, which has evolved into becoming one of the company’s strategic focal points.

The last and third step involves acting on customers’ engagement behaviour and focuses on leveraging and fostering customer engagement. Freeda uses their engagement insights as a navigation tool regarding what type of content generate the most quantitative and qualitative engagement and thereby guide the creation of future content. Deliveroo leverages customer feedback by regularly reviewing the net promoter scores and utilises the insights as part of the product planning cycle. Both companies leverage customer insights internally and have a system for handling the information in order to optimise the use within the company, which is in line with Nambisan and Baron’s (2007) argument.

5.1.3 Customer loyalty
As both Freeda and Deliveroo are highly dependent on retaining their existing user base as well as generating new users for its continued growth, both companies have a strong focus on the behavioural aspect of loyalty. Mascarenhas et al. (2006) argue that behavioural loyalty often is measured by recurring purchases, however in Freeda’s case this can be interpreted as repeated consumption of, and engagement with, the content as there is no monetary cost associated with it. Having a successful product-market fit and top-of-mind-awareness is viewed as key at Deliveroo and the main emphasis is put on the product’s functional aspects and operational performance while establishing strong relationships and achieve congruence in values with the customers is secondary. On the contrary, Freeda’s primary focal point is building a relationship and connect with its customers through corresponding values. Therefore, Freeda extends its loyalty spectrum to also include an attitudinal type of loyalty (ibid).

Deliveroo’s efforts to enhance customer loyalty via incentives through their subscription program and referral program allow Deliveroo to further strengthen the customers’ attachment to the brand, which coincides with Van Doorn et al. (2010) line of reasoning. These types of incentives are not applicable to Freeda as the company employs a strategy highlighting the role of the social environment surrounding the customers, for instance by
sharing Freeda’s content in their social media channels. This is similar to Oliver’s (1999) argument that the social environment and support contribute to higher customer loyalty.

To be able to better understand and structure its user base, Deliveroo is using two systems where the first is connected to the net promoter score and customer satisfaction that include the groups detractors, neutrals and promoters. The second system is a segmentation tool developed by Deliveroo dividing the users into inactives, actives and ambassadors. The application of Sashi’s (2012) matrix of relational exchange and emotional bonds shows that Deliveroo’s user segments span across different levels of loyalty. First, inactives can be categorised as transactional customers as there is no anticipation or obligation of future exchanges. Second, actives can be described as either delighted or loyal customers, depending on the nature of the individual customer and its motives for ordering from Deliveroo. Third, ambassadors can be categorised as fans as they both demonstrate high relational exchange and high emotional bonds. Freeda does not have a system or a segmentation tool for mapping out loyalty amongst its user base, however the core users are identified as a group by the company as they have been active proponents of the brand from the start. Therefore, this group can be seen as equivalent to Sashi’s (2012) description of fans.

In order to foster a high degree of loyalty, certain points of customer interactions become particularly essential for Freeda and Deliveroo respectively to capture customers. These so called moments of truth (Heffernan & LaValle, 2007) are identified at Deliveroo as the interactions between the customers and the company, and more specifically the customer service. This is viewed as imperative in order to build trust and ensure positive customer experiences as well as being a chance for frontline customer interaction. In Freeda’s case, the notion of atomic moments of truth (Frawley, 2014) is more prominent as the company solely relies on its content to be well received by the users on an ongoing basis. In addition, as Freeda operates in complex and crowded space, which the company does not own nor have control over, it is crucial that the content continuously is able to reach through the social media noise in order to have a chance to impact the users.

5.2 Cycle of Advocacy-Ignited Growth

The significant role of the advocate in promoting the company’s product or service to other customers is acknowledged by both Deliveroo and Freeda, an approach that corresponds with Heffernan and LaValle’s (2007) idea of how to build a loyal customer base. The
characteristics of the advocate can be seen as synonymous to Sashi’s (2012) concept of the fan, where the customer feels a sense of trust toward the provider and becomes a passionate advocate for the brand. Deliveroo aims to foster advocacy amongst its customers by having a referral program in place which requires customer-to-customer interaction in favour of the company, something which also is recognised by Sashi (2012). Additionally, Deliveroo is working toward a larger goal of providing the best product on the market and thereby achieving organic advocacy via word-of-mouth. Similarly, advocacy can be connected to Deliveroo’s so called flywheel effect, where a virtuous marketing cycle is initiated. Freeda does not have any program in place to incentivise advocacy, however the company dedicate significant efforts toward achieving organic growth by publishing content that generate strong reactions and emotions in the customer. In turn, customers are more likely to engage with the content through likes, comments and shares, which increases Freeda’s reach on social media through customers’ interaction and advocacy of Freeda’s message in their personal networks.
6. Discussion

6.1 The emotional and functional dimensions of acquisition
Several points-of-parity were found in terms of how both Freeda and Deliveroo work with customer emotion in the acquisition process. A main point-of-difference was however found regarding the main focus on the emotional versus functional priority in the initial stages of interaction. While Freeda puts all their efforts into establishing emotional connections in order to capture their users, Deliveroo adopts a vastly more functional mindset in the initial phase of acquiring users, where they ensure that the logistics and operational performance meet the customers’ expectations. This suggests that there is no universal approach for successful customer acquisition but rather, as evident in these two cases, a company should focus on their core offering. Furthermore, the fact that Deliveroo’s customers pay for the service creates a distinct expectation on quality and performance, something that could explain Deliveroo’s functional focus. As Freeda’s users do not pay for the product, they are assumed to have different expectations, which can explain the company’s emotional focus.

6.2 Personalisation - The future of engagement
Points-of-parity can be identified for how both Deliveroo and Freeda visualise the next natural step for the advancement of customer engagement where both recognise personalisation as the key focal point moving forward. It is becoming increasingly imperative to understand the multifaceted customer and her individual preferences and desires. By extending the company’s core offering to include personalised aspects, the product or service becomes a more integral part of the customer’s life. One example of this is Deliveroo’s vision to integrate their product to comply with the customers’ needs in terms of nutrition, health condition and physical exercise. This development indicates an approaching shift, moving away from focusing solely on the product itself and rather moving towards adopting a strategy that includes a whole concept that can be integrated in the customers’ lives. This can in turn have positive consequences for retention as the lock-in effect increases the switching costs for customers as well as gives the company a competitive advantage.

6.3 A network of advocates
There is a point-of-parity between Freeda and Deliveroo for how they value advocacy amongst their customers. For Freeda this group has hitherto been vital for the company’s growth and demonstrated its capacity to fuel customer acquisition. Similarly, Deliveroo has
experienced a flywheel effect that has been fundamental for their growth and created a self-propelled exponential acquisition curve. This type of advocacy involves not only customers, but also, as in Deliveroo’s case, riders and restaurants where all actors together contribute to gain traction in a new market. Freeda has also embraced an extended view of advocacy going beyond customers where partner brands and employees must identify with the company’s values. These insights imply a trend where the company’s whole network become representatives and have the possibility to promote as well as harm the brand. This development can be traced to stakeholders seeking a higher level of transparency and authenticity in honouring one’s values.
7. Conclusion

The purpose of this thesis is to map out points-of-parity and points-of-difference with regards to how two digital B2C companies leverage customer emotion, engagement and loyalty in order to achieve growth, which is defined as the stages of customer acquisition, development and retention. In addition, the purpose is to explore customer advocacy and its role for igniting further growth. The Framework for Customer Growth and the Cycle of Advocacy-Ignited Growth serve to guide and support the conclusion.

7.1 Acquisition and customer emotion

In the acquisition stage, points-of-parity are detected in how both companies put strong emphasis on their core propositions. It becomes evident that the core proposition forms a starting point for determining what focal emotions the company should seek to invoke in its customers. Subsequently, the strategies will differ depending on the emotional roadmap unique to every company. The major point-of-difference between the two companies in regards to the acquisition strategy is the emotional versus functional prioritisation in the initial phases of capturing customers.

7.2 Development and customer engagement

In the development stage, a point-of-parity is recognised as both companies work to gather customer engagement data in order to generate insights allowing for improvements of the product or service. Another similarity is the companies’ comparable vision for the future development of customer engagement where both actors identify personalisation as the main area moving forward. The cost of engagement is however identified as a point-of-difference as there are different costs associated with each business model and type of interaction.

7.3 Retention and customer loyalty

In the retention stage, one identified point-of-parity is the shared focus on the behavioural aspect of loyalty, which implicate that recurring user interactions is the main indicator of loyal customers. Two detected points-of-difference are the divergence in use of subscription- and referral programs as well as the disparity in the use of tools for customer loyalty segmentation. Both of these dissimilarities may be related to each specific company’s maturity and its operational context.
7.4 Advocacy-ignited growth
One point-of-parity is that both companies have identified a group of users demonstrating typical advocate behaviours that contribute to complete the cycle of advocacy-ignited growth. A point-of-difference is how the companies work with organic versus incentivised advocacy where the former is achieved mainly via word-of-mouth, whereas the latter is connected to implementation of programs and systems designed to incentivise interaction between customers.

7.5 Limitations and suggestions for further research
The study of Freeda’s and Deliveroo’s growth strategies was conducted in the form of a comparative qualitative case study, and since the context is specific to each company the results and conclusions are not generalisable. Similar case studies on other digital companies can therefore be conducted in order to create a ground for evaluation of similarities and differences on a more general level. Another opportunity is to develop more comprehensive frameworks that would allow for the possibility of practical application within the area of customer acquisition, customer development and customer retention. Two other suggestions for further research are investigating the role of personalisation in engaging and retaining customers as well as develop a conceptualisation of organic and incentivised advocacy-ignited growth.
References


Appendices

Appendix 1 – Loyalty matrix

Appendix 2 – Interview guide

- Presentation of the authors and the purpose of the thesis
- Presentation of the interview structure
- Ask for permission to record the interview
- Inform the interviewee about his/her right to be anonymous, to decline answering a question, discontinue the interview and withdraw from participation in the study

Introduction
Tell us about your role at X.

Acquisition
Tell us about how you work to acquire new customers.
- How do you identify and find your customers?
- How do you define connecting with your customers?
- What do you seek to achieve by connecting with your customers?

Customer emotions
- What role does your customers’ emotions play in the acquisition process?
  - (I.e. do you work to connect with them? How?)
- What do you want your customers to feel in the interaction with your brand?
- How do you work to strategically connect with your customers?
- In what ways are you able to tell when you have successfully connected with customers on an emotional level?

Development
Tell us how you work to develop a customer relationship.

Customer engagement
- How would you define customer engagement?
- How do you work to achieve customer engagement?
- How do you measure and analyse customer engagement?
- How do you utilise the insights coming from your customers’ engagement internally within the firm? (E.g. through suggestions and ideas coming from customers?)
Retention
Tell us about how you work to retain your customers.

Loyalty
• How would you define customer loyalty?
• In what ways are you able to tell when you have successfully created a loyal customer?
• How important are loyal customers to your company?
• What are the critical moments in the interaction with your customers to successfully retain them?
• In what ways do you encourage and reward loyal customers?
• How loyal would you describe the majority of your customers to be?
  o Does the level of loyalty vary greatly among your customers?

General question about digital context
• In broad terms, how does the fact that X is a digital company affect how you view the process of customer acquisition through to customer retention?