

ONLINE COMMUNITIES: BONDING WITH CUSTOMERS IN THE DIGITAL AGE

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Report Highlights

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Companies with an online community platform enjoy 31% greater return on marketing investments.

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Companies with an online community platform address 85% more customer issues through self-service.

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Businesses with online communities are 16% more likely to deliver consistent customer messages across all channels.

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Online community users are 94% more likely to automatically alert relevant employees of a poor customer experience.

This report provides an overview of the returns companies achieve by investing in an online community platform. We'll also highlight three key building blocks companies put in place to maximize those returns and ensure that the community platform keeps delivering results in the long-run.

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The tools of yesterday are no longer enough to ‘wow’ customers. Companies investing in an online community enjoy greater customer spend and minimize buyer effort. Are you benefiting from those advantages yet?

Why Do You Need an Online Community?

Interactions between companies and their customers have gone through a significant transformation. Social media and mobile devices have amplified the voice of the customer to new heights. This means that buyers can easily communicate with a wide range of peers and share insights to make informed purchase and loyalty decisions. In this environment the answer to the question at the top is more important than ever before.

An online community is a digital hub where current and future customers of an organization interact with one another. Those conversations include sharing experiences on using company products and services, asking peers for help in addressing certain challenges, and resolving support issues by using self-service functionality within the community platform.

Aberdeen Group surveyed 215 businesses regarding the top priorities and best practices influencing their CEM activities. Of those organizations, 95 indicated currently using an online community. Table 1 shows that those organizations with an online community excel in balancing the changing dynamics in customer relationships by building stronger bonds with their buyers.

Table 1: Companies with Online Communities Enjoy 31% Greater ROMI

| Current Performance (n=215) | Companies with Online Communities | All Others |
|------------------------------------|-----------------------------------|------------|
| Return on marketing investments | 47% | 36% |
| Average profit margin per customer | 35% | 25% |

Source: Aberdeen Group, March 2016

As illustrated in the above table, **companies investing in an online community platform enjoy 31% greater return on**

Online Community Adoption Rates

Data shows that 44% of businesses currently incorporate an online community into their CEM channel mix.

An additional 32% of organizations also reported that they are assessing the potential to deploy an online community as part of their business activities.

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marketing investment (see sidebar) than those that do not (47% vs. 36%). This finding is important as marketers looking to justify investing in any technology must demonstrate the quantifiable impact of that technology. Organizational performance in ROMI therefore validates that deploying and managing an online community platform should be high on the priority list of marketers.

Another signal that investing in an online community platform helps companies bond with customers is the average customer profit margins observed by companies using this technology versus All Others. Firms incorporating an online community into their CEM programs observe 40% greater profit margin per account, compared to peers (35% vs. 25%).

Profit margins are influenced by two main factors: cost and revenue. In this context, higher profit margins suggest that those organizations with a community platform excel at minimizing support costs and increasing client spend. The insights gleaned through observing the conversations within the online community also help companies personalize their messaging. Speaking the buyer's language ultimately helps organizations sell more.

Figure 1 provides additional perspective to the aforementioned observations. Companies supporting their CEM programs through an online community platform sustain their competitive advantage in customer profit margins. They attain 5.9% annual increase in this metric while those without this technology observe a 0.4% decrease.

Definition: Return on Marketing Investments (ROMI)

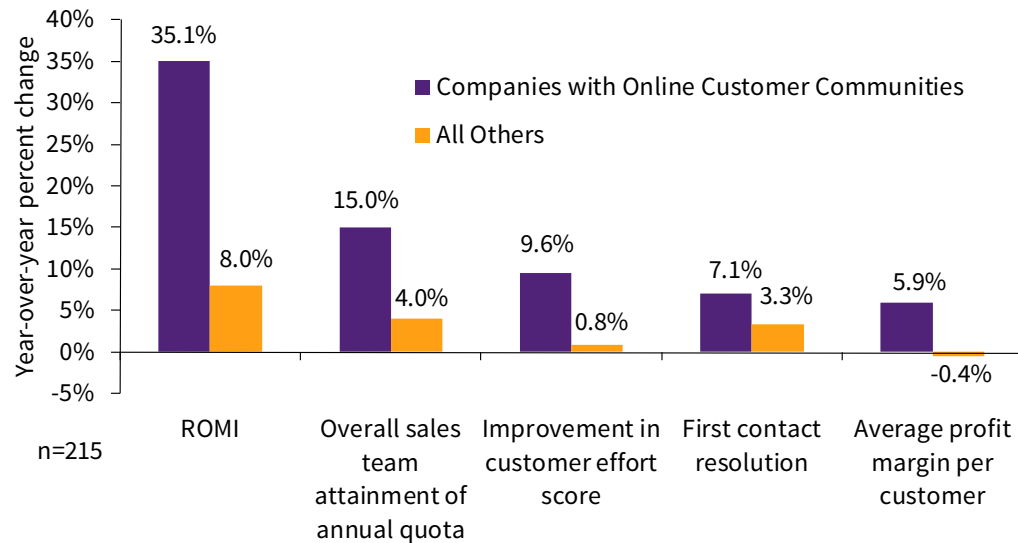
For the purposes of this research, Aberdeen defines ROMI as a performance metric comparing the total value of marketing activities attributed to closed business and the corresponding marketing costs.

Deploying and managing an online community platform should be high on the priority list of marketers looking to contribute to business success.

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Using an online community helps organizations become more efficient in servicing clients – hence reducing support costs.

Figure 1: Use of Online Communities Drives Annual Performance Gains



Source: Aberdeen Group, March 2016

The benefits of investing in an online community accumulate over time. In addition to continuously growing profit margins, **use of online communities also helps marketers achieve 4.4-times greater annual improvement in ROMI**, compared to peers without this technology (35.1% vs. 8.0%).

While the ROMI benefits of an online community are hard to overlook, it's also important to note that use of a community platform can help other key stakeholders in the business – specifically sales and customer service. For example, as depicted in Figure 1, organizations with this technology achieve 3.8-times greater annual improvement in overall sales team attainment of quota (15.0% vs. 4.0%). This signals that sellers in those businesses are enabled with more contextual insights and opportunities to convert buyer conversations into client spend.

Self-service is an important use case of online community platforms. To this point, findings from Aberdeen's February 2016

- [Read the full report,](#)
"The ROI of Investing in an Online Community Platform"
- [Related Research](#)
"Self-Service: Maximize Business Results by Helping Customers Help Themselves"

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study, [*Self-Service: Maximize Business Results by Helping Customers Help Themselves*](#), shows that 24% of all customer issues in organizations with an online community platform get resolved through self-service, compared to a mere 13% for those without.

To put this in perspective, if two organizations each received 50,000 support requests a week, the delta noted above means that the one with an online community would handle 38,000 (76% of 50,000, the other 24% being handled through self-service) through agent assisted service. The other company would need to handle 43,500 (87% of 50,000, the remaining 13% being handled through self-service). In other words, the company without an online community would need more agents to handle the extra 5,500 issues (43,500 minus 38,000). Considering the labor other related costs (e.g. telephony and real-estate) associated with an agent, lack of an online community platform means that organizations incur additional costs. In short, if you're looking to reduce support costs and improve the customer experience, then deploying an online community is instrumental to accomplishing this objective.

Thus far, we have learned that investing in an online community platform is a valuable in helping companies improve their performance. Let's now take a look at the three must-haves that help organizations turn an online community platform into a real source of competitive differentiation.

How to Build a Winning Online Community Platform?

Investing in an online community platform yields maximum returns only when organizations have a well-designed strategy

Online community users address 85% more customer issues through self-service, compared to those without such a community.

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When designing your online community strategy, don't forget to:

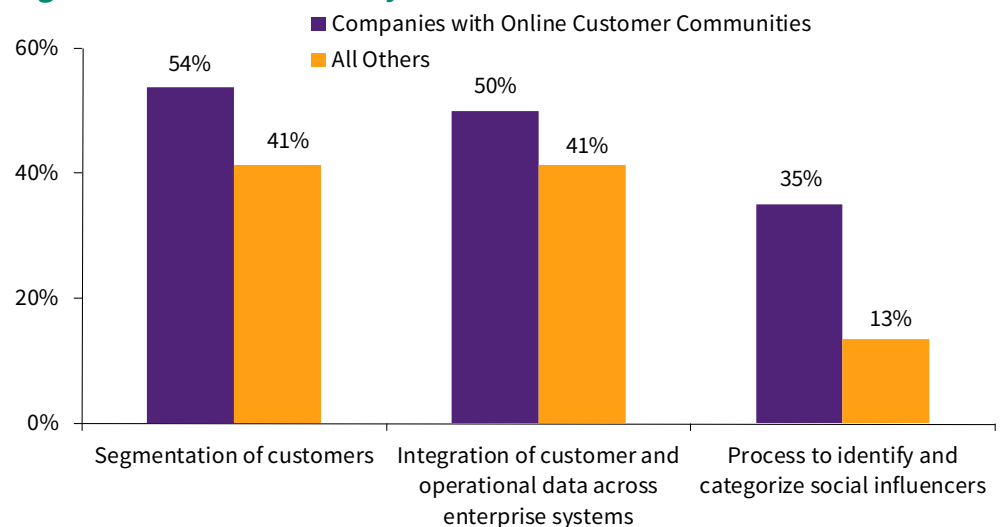
-Build a plan to raise awareness

-Identify steps to foster communication and collaboration among community members.

to make customers aware of the community. This must be complemented with a keen focus on fostering communication and collaboration between community members.

The first step companies must take to accomplish both objectives is to cultivate a deep understanding of their customers. Doing so reveals which customers are aware of the online community, identifies those that are actively using it, and details how they use it. Figure 2 shows that companies with online communities are 32% more likely than All Others to **use segmentation to identify the unique attributes of their buyers** (54% vs. 41%).

Figure 2: Establish Visibility into Customer Needs



Percent of respondents, n=215

Source: Aberdeen Group, March 2016

There are multiple ways to segment an audience. Those include the types of product used, geography and demographics. Incorporating business intelligence tools into the segmentation process helps organizations reveal common trends and correlations among their customers. For example, an organization with this capability might find that clients using a

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certain product are more likely to join the online community. This insight would then help tailor messaging to buyers using that product to join the community.

Organizations must **establish visibility into the sentiment and behavior of each customer across multiple channels** in order to truly personalize conversations with them. Companies use multiple systems (e.g. CRM, ERP and marketing automation) to capture customer data in diverse channels. Data shows that organizations with online communities are 22% more likely than All Others (50% vs. 41%) to seamlessly integrate such systems in order to build a unified view of the customer journey – see sidebar.

Once companies establish visibility into the customer journey, with the help of analytical tools such as business intelligence, for example, they can then **identify social influencers**: current and potential customers whose opinions influence the activities of other buyers. You identify influencers by seeking out the community users who tend to generate most conversations among others, the activity levels of individual users, and so on. While only 35% of companies with an online community platform currently have this capability, they are 2.7-times more likely than All Others to utilize it (35% vs. 13%). This capability provides companies with a strategic advantage as they can now better understand and influence the [voice of the customer](#).

Once you understand your customers and raise awareness of your online community, the second step is orchestrating the conversation within the community. This refers to ensuring that the online community is a digital hub that adds value to your

If you don't have a single view of your customer data across multiple channels, start to build it now. Without it, your online community strategy will operate in a silo and will deliver sub-par results.

The Cost of Poor Systems Integration

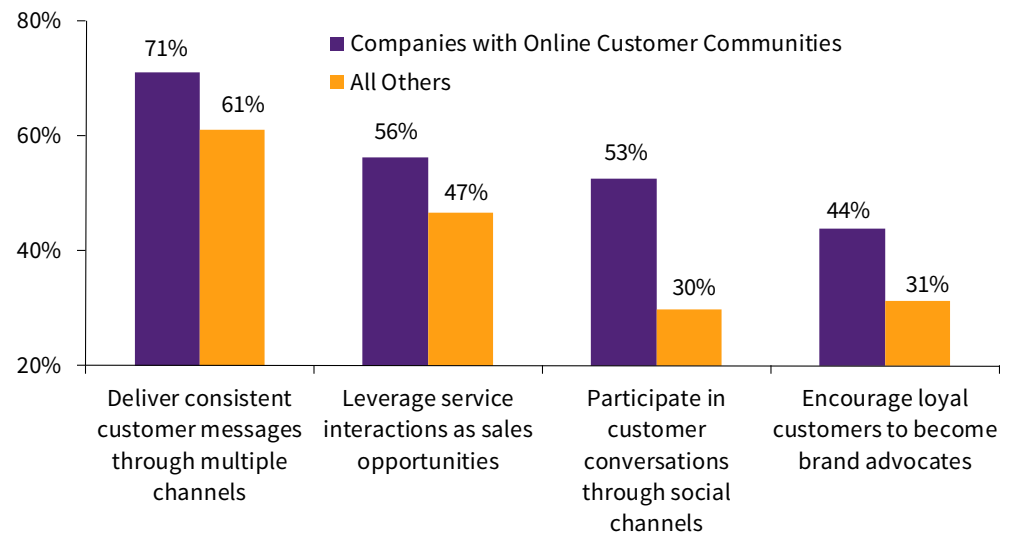
Findings reveal that companies integrating disparate systems to establish a unified view of customer data enjoy 12.7% annual decrease in customer service costs, compared to 0.3% increase by those without it. This means that by adopting this capability alone a business that incurs \$1 million each year in customer service costs would save approximately \$130,000 more than others without this capability each year (\$1 million times 13% - delta between 12.7% and -0.3%).

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Don't just monitor customer conversations. Participate - when the time is right.

buyers – and your business – not just noise. Figure 3 shows that companies with an online community platform are 77% more likely to **regularly track and participate in relevant conversations across social media portals**, compared to All Others (53% vs. 30%).

Figure 3: Optimize Execution of your Community Program



Percent of respondents, n=215

Source: Aberdeen Group, March 2016

Definition: Omni-channel

Aberdeen’s December 2015 [Omni-Channel Customer Care: Best-in-Class Steps to Success](#) study defines omni-channel as a capability that enables organizations to deliver consistent and personalized customer messages across multiple channels.

The relevance of conversations is determined by customers sharing their experiences and their questions regarding your organization, your products, and your services. Identifying customer-generated content through social media portals and incorporating that into account information helps companies **develop a comprehensive understanding of their clients**. Finally, responding to clients through social media and encouraging them to visit the online community in order to find answers or share their positive experiences helps connect your online community with the broader social sphere.

In addition to ensuring the connection between social media portals and the online community, companies with a community

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platform also distinguish themselves from others by incorporating omni-channel (see sidebar) into their business activities. Data shows that businesses with an online community are 16% more likely to **deliver personalized and consistent messages across all channels**, compared to All Others (71% vs. 61%). Findings from Aberdeen's December 2015 study, [*Omni-Channel Customer Care: Best-in-Class Steps to Success*](#), shows that an average business uses four channels to interact with its customers. Incorporating omni-channel into company programs means that organizations with an online community platform are much less likely to confuse clients with inconsistent messages across multiple channels.

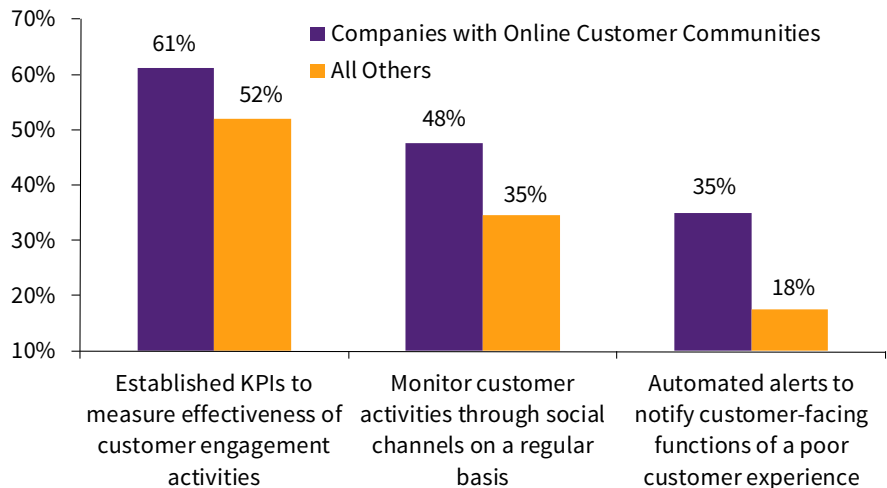
Earlier we noted that use of online communities helps companies solve 85% more customer issues, compared to those without this technology (24% vs. 13%), through self-service. It's important to remember, however, that use of online communities goes beyond providing a digital hub for customers to connect or do self-service. It also provides the opportunity to **convert service interactions into sales opportunities**. For example, a consumer might visit the community platform to seek self-service articles aimed at finding a particular feature that doesn't exist on a mobile device. If the manufacturer captures this data, it can then launch a trigger marketing campaign aimed at letting the user know that they can purchase a different mobile device at a special rate. The ability to launch such personalized and timely marketing campaigns is instrumental in helping businesses with online communities boost their financial health.

The insights gleaned through how customers use your online community for self-service are instrumental in delivering targeted marketing campaigns.

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So, you've established a good understanding of your customers. You have also optimized how you manage the community platform by incorporating capabilities such as omni-channel. The third and final step that will help your business realize long-term gains from investing in an online community is regularly tracking and managing performance. This specifically refers to understanding how your community stacks up in meeting and exceeding user needs in order to ensure that community members stay active and loyal. Figure 4 shows that businesses with an online community platform are 17% more likely than All Others to have identified the most relevant metrics indicative of success in meeting customer needs (61% vs. 52%).

Figure 4: Regularly Evaluate the Success of Your Online Community



Percent of respondents, n=215

Source: Aberdeen Group, March 2016

Each business is unique. As such, it's to be expected that the key performance indicators (KPIs) companies use to **gauge the success of their online community programs** will vary. For some, those KPIs might include net promoter score (a measure of customer satisfaction) and the number of conversations an

No matter which metrics you use to track your performance in managing your community, make sure that those metrics include ones related to customer experience (e.g. NPS and customer lifetime value).

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average community member gets involved in. For others, those metrics might be the frequency of an average user visiting the community and percentage of users recommending company products and services.

To determine the right metrics for your business, we recommend evaluating the top objectives driving your online community investments. The metrics that indicate success in attaining those objectives should be the KPIs you use to measure your performance. For example, if your goal in implementing an online community platform was to provide marketers with deeper insights into customer needs, then using metrics such as ROMI would best help you gauge the success of your online community program.

No matter which metrics companies use to measure results of their online community programs, it's critical that all businesses regularly track and measure customer experience results. Examples of those metrics include customer satisfaction and customer lifetime value. Data shows that companies with an online community platform are 37% more likely than All Others to regularly look at customer-generated content in the online community and social media portals (48% vs. 35%).

Findings in Figure 4 also show that online community users are 94% more likely than All Others to have **set up automated alerts** that enable those businesses to notify relevant stakeholders of a poor customer experience (35% vs. 18%). Those alerts are based on triggers. For example, if upon analyzing the customer-generated content in the online community the organization finds that a particular client is not

Do you monitor and measure the health of your community? If not, get started today.

Set up automated alerts to notify your key stakeholders when a customer has a poor experience in your online community or shares a negative sentiment with other users in the community.

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happy with a product, a support staff member would proactively contact the buyer to seek ways to address the issue. Once again, every business is unique and as such those trigger alerts will be unique to each organization. However, use of technology tools such as text analytics and customer sentiment analytics tools provide all organizations with a common set of enablers to identify specific conversations that point to client satisfaction issues.

Recommendations

The voice of the customer is louder than ever before. Buyers are well-aware of their empowerment, and they take advantage of this opportunity by turning to peers for insights to shape their purchase and loyalty decisions. Customers – both the happy ones and the unhappy ones – are also not shy about sharing their own experiences with others. Businesses that ignore this are doomed to fail. Adapting to this ‘new normal’ and building lasting customer bonds requires organizations of all sizes to provide buyers with a digital hub that they can use to address all their needs. This is where an online community platform comes in.

Findings outlined in this document show that businesses providing customers the ability to connect with peers through an online community are far more likely to improve their performance across KPIs such as ROMI and customer profit margins. Considering how online communities help organizations drive advocacy and provide self-service, users of this technology also enjoy substantial performance improvements in metrics such as sales team attainment of quota and first contact resolution rates.

Do you know your customer advocates? If not, start analyzing customer conversations in your online community to identify them. Once done, then incent them to share their experiences with peers in the online community as well as social media portals.

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It's important to remember that an online community platform is not a technology tool reserved exclusively for large firms. However, simply implementing an online community platform doesn't guarantee long-term gains across the metrics noted above. Companies must devise and implement the right strategies to reap maximum results from investing in an online community. Below is a summary of those strategies we recommend your organization implement when building an online community.

- ➔ **Establish visibility into customer needs.** This means understanding which current and future clients are users of your community. It also means identifying the top factors that influence customer awareness of your community and actively participating in it. We recommend segmenting your audience and using business intelligence tools to identify hidden trends and correlations highlighting what influences customers to join your community. The same insights will also help you identify the top factors that influence buyers to regularly visit the community and contribute content. Collectively, those activities will enable your business to personalize customer conversations and ensure that your online community truly meets their needs.
- ➔ **Orchestrate conversations within the online community.** Building an online community is only the beginning. Without proper care in managing the community, the nature of customer conversations might quickly change; you might rapidly lose users and therefore risk seeing minimal to no success. We

Survey Demographics

Below is a brief overview of the organizations participating in the survey which serves as the source of the findings presented in this document:

Company Size

Small (<\$50 million): 55%
 Mid-size (\$50 million–\$1 billion): 23%
 Large (>\$1 billion): 22%

Company Headcount

Small (50 employees): 36%
 Mid-size (50 – 2,500 employees): 42%
 Large (>2,500 employees): 22%

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recommend regularly monitoring conversations among users to track and measure the health of the overall community. Those insights will also reveal the most common use cases and benefits of your community. We also recommend ensuring that your online community program is incorporated into your omni-channel efforts so that customers receive consistent and personalized messages across any channel they use to interact with your business.

- **Regularly track your performance for continuous improvements.** You need to measure your performance to understand how each decision you make when managing the community platform influences KPIs. As such, it's imperative that you determine the right KPIs (e.g. customer lifetime value) that reflect your ability to attain objectives from building an online community. Once you determine those KPIs, we recommend regularly measuring them to identify your strengths and address weaknesses.

If you already have an online community program but aren't doing one or more of the above activities, then we recommend making them a part of your business. Doing so will help you further improve your performance and minimize your community-related challenges.

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For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[*Self-Service: Maximize Business Results by Helping Customers Help Themselves*](#); February 2016

[*Customer Analytics: How to Make Best Use of Customer Data*](#); July 2015

[*Voice of the Customer: How to Convert Feedback into Better Results*](#); April 2015

[*Customer Engagement: From Interactions to Relationships*](#); March 2015

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