

CUSTOMER ENGAGEMENT: FROM INTERACTIONS TO RELATIONSHIPS

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Report Highlights

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Improving customer experiences has replaced operational efficiency gains as the #1 objective in customer care executives' agendas

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Best-in-Class firms achieve an 80% greater customer retention rate

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Best-in-Class firms get omni-channel right, and as a result, enjoy 14.6% annual revenue growth

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Best-in-Class firms are 67% more likely to map factors influencing cross-channel interactions

Differentiating in the eyes of empowered customers is harder than ever before. Gone are the days when using multiple channels for customer conversations was enough to distinguish businesses. Leading organizations today differentiate themselves through well-planned and executed customer engagement programs.

This report defines customer engagement by outlining how it differs from individual interactions. It also outlines the four building blocks to drive engagement: ingraining customer-centricity within the corporate DNA, omni-channel, ensuring business efficiency, and unlocking organizational growth. The analysis will shed light into how Best-in-Class businesses convert these building blocks into a foundation for long-term success.

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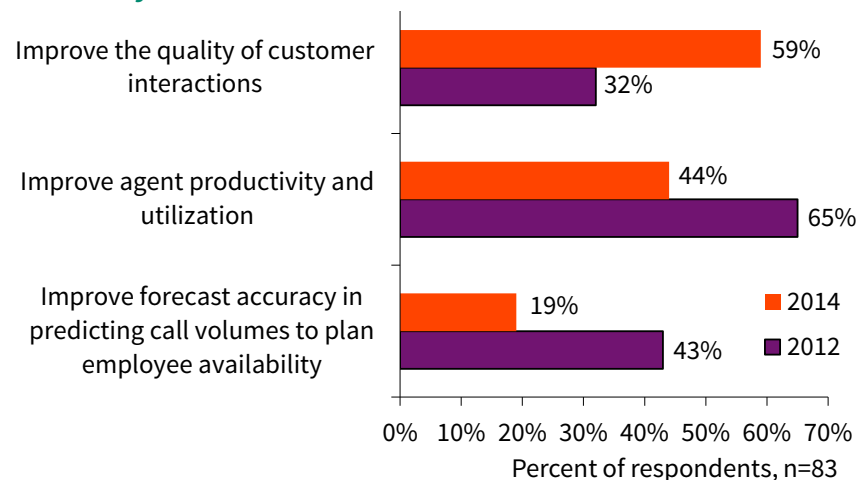
Customer engagement is the culmination of customer experiences, influenced by interactions with the business, across different phases of the buyer conversations.

Customer delight has overtaken operational efficiencies as the top priority in CEM executives' agendas.

Lead with Focus on the Customer; Operational Efficiencies will Follow

We've witnessed a tectonic change in the very nature of customer experience management (CEM) activities over the past decade. Empowered with increased adoption and the use of technology tools, modern buyers are much more selective in *which* companies they want to interact with as well as *how* they want to interact. As a result, companies are more focused than ever on adjusting their business activities to meet the needs of these selective buyers. An example of these activities is contact center workforce optimization (WFO). Trend analysis between Aberdeen's contact center WFO studies published in [June 2012](#) and [June 2014](#) shows that enhancing the quality of customer interactions is the top objective driving contact center WFO programs.

Figure I: Customer Experience Leads to Operational Efficiency



Source: Aberdeen Group. May 2014

Improving agent productivity and utilization are operational efforts that reflect an organization's success in making better use of existing resources. While this is an important objective for companies to ensure profitability, it's no longer the top objective

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driving contact center executives' agendas. Businesses are now savvier in understanding the direct connection between employee performance and the customer experience. As a result, the pursuit to improve customer experiences is top of mind for modern customer care executives (see sidebar) and cascades across numerous business activities, from hiring and scheduling agents, to managing workflows.

Still, managing the quality of buyer conversations is not an easy endeavor. It requires a specific mindset; one where organizations are not solely focused on managing individual interactions and ensuring their consistency. Rather, one that incorporates customer engagement as the mantra driving all interactions.

The ability to create engaged customers means using every interaction across different channels as an opportunity to drive loyalty. In other words, engagement refers to the culmination of experiences influenced by interactions across different phases of the customer lifecycle. Engaged clients are loyal buyers who are satisfied with their interactions with the business; they retain (and grow) their spend as well as refer the company to their own networks.

Between February and May of 2014 Aberdeen Group surveyed 257 businesses for the June 2014 [*Customer Engagement Analytics: How to Use Data to Create \(and Keep\) Happy Customers*](#) study. Findings within this study revealed that there is a leading group of businesses that excel in driving customer engagement. The next section will illustrate the performance results enjoyed by these firms.

Top Five Objectives Driving Customer Engagement Programs

According to Aberdeen's June 2014 [*Customer Engagement Analytics: How to Use Data to Create \(and Keep\) Happy Customers*](#) study, the top five objectives driving customer engagement programs are:

- Improve customer satisfaction: **94%**
- Retain existing customers: **93%**
- Increase top-line revenue: **79%**
- Drive employee efficiency and engagement in customer interactions: **75%**
- Increase customer profitability: **74%**

Successful firms are not the ones that adopt an 'interaction-based' approach for their omni-channel activities. They use a 'relationship-based' approach to drive customer engagement – a true differentiator of top-notch CEM programs.

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The Aberdeen maturity class framework is comprised of three groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics:

- **Best-in-Class:** Top 20% of respondents based on performance
- **Industry Average:** Middle 50% of respondents
- **Laggard:** Bottom 30% of respondents

Sometimes we refer to a fourth category, **All Others**, which is Industry Average and Laggard combined.

Driving Customer Engagement Enhances Company Performance

At its core, customer engagement entails firms delivering superior experiences across every phase of client interactions. Best-in-Class firms address the complexity of achieving this goal, and thereby set an example on how to succeed in today's hypercompetitive marketplace. Table 1 illustrates the benefits that top performers reap as a result of their efforts.

Table 1: Responsiveness to Customer Needs Boosts Revenue

Company Performance (n=257)	Best-in-Class	All Others
Customer retention rate	90%	50%
Year-over-year growth in annual company revenue	31.3%	-6.1%
Year-over-year growth in customer profit margin	26.4%	-5.0%
Year-over-year improvement (decrease) in response time to customer requests	21.6%	1.6%

Source: Aberdeen Group, March 2015

The findings outlined above show that the Best-in-Class have mastered the science (and art) of creating loyal customers. They enjoy superior performance across a number of key performance indicators (KPIs). Overall, they achieve an 80% greater customer retention rate compared to All Others (90% vs. 50%). They do so by being responsive to buyer needs – reflected by their drastic annual improvement (*decrease*) in response time to customer requests. As a result, clients of these high-performing businesses reward them with greater spend, which translates into annual revenue growth.

Top performing firms follow a two-pronged approach to lead their customer engagement strategy. The first part of this approach is tailoring each interaction to buyer needs as well as

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ensuring consistency of conversations across different channels – a concept defined as omni-channel (see sidebar on page 7). The second part entails adding purpose to omni-channel interactions by tailoring each interaction to increase the likelihood of creating loyal (engaged) clients, who advocate the products / services of the business. The remainder of this paper outlines four ways that the Best-in-Class nurture this two-pronged approach to customer engagement.

Best-in-Class Pillars to Drive Customer Engagement

#1 – Establish a Customer-Centric Business Environment

The first Best-in-Class pillar is **ingraining customer-centricity within every business activity**. Companies often adopt an inside-out approach for CEM programs, meaning that they are more likely to make assumptions on buyer needs and expectations and manage client conversations based on those, sometimes inaccurate, assumptions. An outside-in approach, on the other hand, refers to soliciting direct (and indirect) input from buyers on their needs and wants, and using these insights to guide CEM activities.

Adopting an outside-in approach is how the Best-in-Class lay the foundation for the first pillar of their success. One of the most important benefits of an outside-in approach is that it helps firms produce more timely and relevant insights on buyer needs, compared to making organizational assumptions on those needs. This helps companies do a better job in personalizing customer conversations and, as a result, drive satisfaction and loyalty. Figure 2 shows that capturing customer feedback and sentiment data to implement an outside-in approach is a rather common practice across both the Best-in-Class and All Others. However, the top performers are slightly more likely to have this capability in place, compared to their peers (85% vs. 79%). The

Effective use of omni-channel is another area where the Best-in-Class outshine All Others.

The four Best-in-Class pillars that help firms ensure success in customer engagement are:

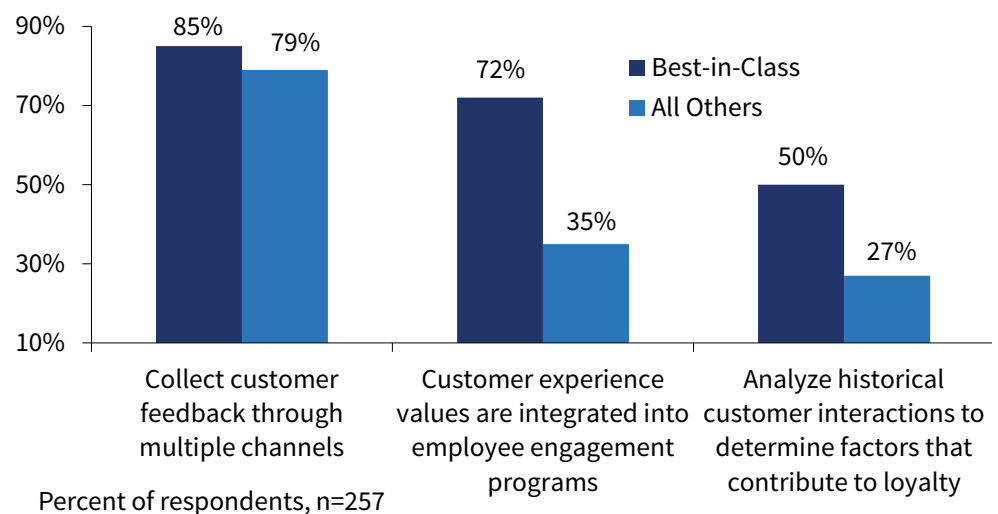
- Ingraining customer-centricity within every business activity
 - Omni-channel approach (or something to this effect)
 - Driving efficiency by doing more with limited resources
 - Facilitating business growth
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Also important to note from Figure 2 is the practice of analyzing customer interactions to determine factors that contribute to loyalty. Given that loyalty is a key attribute of customer engagement, companies looking to distinguish themselves must use segmentation tools as well as analytics to identify factors contributing to loyalty.

Best-in-Class distinguish themselves from All Others by not only capturing feedback, but rather, incorporating it across numerous business activities, such as gauging agent performance, designing new products, etc.

Figure 2: Aligning Customer Experience with Employee Experience Pays Off



Source: Aberdeen Group, March 2015

Customer-centricity is ingrained in the DNA of top performing businesses. In addition to being more likely to adopt an outside-in approach that helps keep track of evolving buyer needs, the Best-in-Class also align their CEM activities with employee engagement efforts; they are more than twice as likely as All Others to do so (72% vs. 35%).

Employee engagement refers to formal programs designed to track, measure and manage employee performance with the objective of driving desired behavior (e.g. greater customer satisfaction and improved agent productivity). When implementing this capability, companies first must identify their brand values and the core objectives driving their CEM program. They then can incorporate those values as part of employee engagement activities to ensure that employees understand the

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importance of creating happy customers and contribute their part in accomplishing this key objective. Regular performance monitoring and improvement activities are used to support this endeavor so that employees create the desired impact on customer experiences.

#2 – Adopt and Nurture Omni-Channel Activities

The second Best-in-Class pillar helping firms maximize customer engagement is **omni-channel**. Let's give an example of a firm using omni-channel vs. multi-channel interactions to better understand this concept. Consider a financial services firm that uses four channels (phone, email, web and live chat) to interact with clients. Let's assume that a customer of this firm tried making changes on an account but needed help in the process. As a result, the customer used self-service to seek answers to no avail and decides to call into the contact center to speak with an agent over the phone. When connected with the client, if the agent is unaware of the customer's web visitation data as well as self-service usage this means that the company has a multi-channel contact center. If however, the contact center agent has visibility into historical interactions and is able to tailor the conversation accordingly, then the company has an omni-channel contact center.

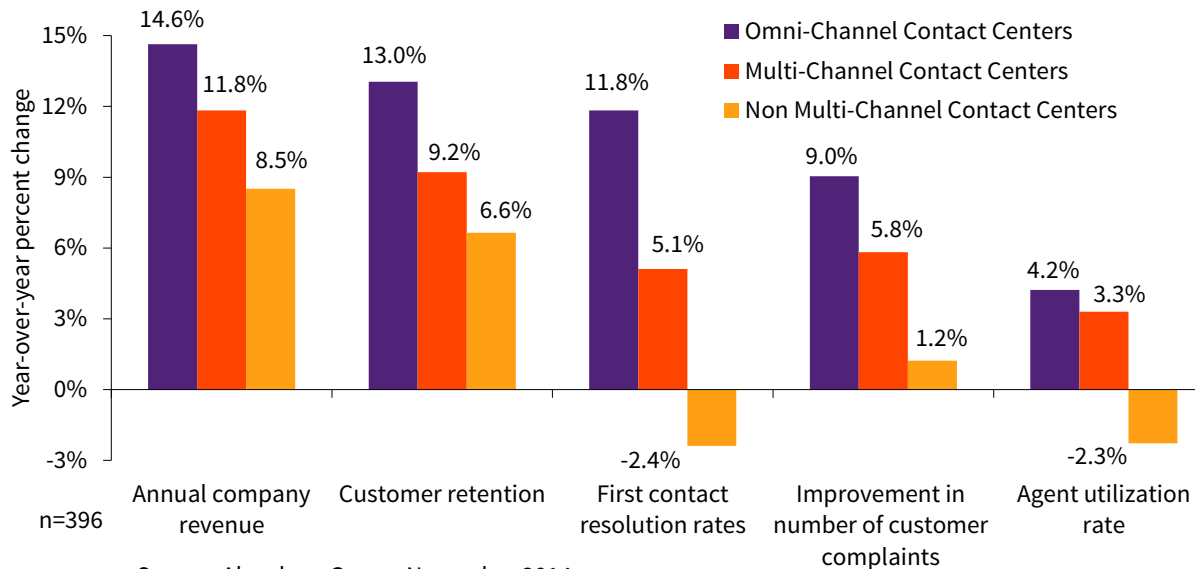
Figure 3 shows that businesses with an omni-channel program outpace their multi-channel and mono-channel peers (companies using a single channel in CEM activities) across a number of KPIs. Among those metrics are customer retention rates, annual company revenue and agent utilization rates. Collectively these metrics reveal that use of omni-channel initiatives helps companies ensure operational efficiency (reflected through agent utilization results) as well as drive superior customer experiences that lead to improvements in the financial health of the business.

Definition: Omni-channel Contact Center

For the purposes of this research, Aberdeen uses the term “omni-channel contact center” to define businesses that have a formal strategy in place to deliver personalized and consistent customer experiences across multiple channels (e.g., phone, social media, web, mobile and email) and devices (in-store, laptop and smart phone).

The end goal is to ensure that the context and experience from each channel and device carries over across all other touch-points to ensure consistency of conversations via multiple touch-points.

Figure 3: Multi-Channel is Not Enough to Drive Success. You Need Omni-Channel



Source: Aberdeen Group, November 2014

It's important to note that the road to become an omni-channel CEM provider is not an easy pursuit. It requires companies to have several key capabilities in place, such as contextual routing, analytics, workflows and enterprise collaboration (see Aberdeen's November 2014 [Omni-Channel Contact Center: The Smarter Way to Engage Customers](#) study).

Once companies ingrain customer-centricity within their corporate DNA, building the foundation for successful omni-channel activities, they should then focus on implementing the other two Best-in-Class pillars: driving business efficiency and facilitating growth.

#3 – Don't Ignore Operational Efficiencies

Driving efficiency refers to **doing more with limited resources**. If a business experiences poor employee productivity and performance, it is likely to incur additional costs and deliver sub-par customer experiences. To this point, findings from

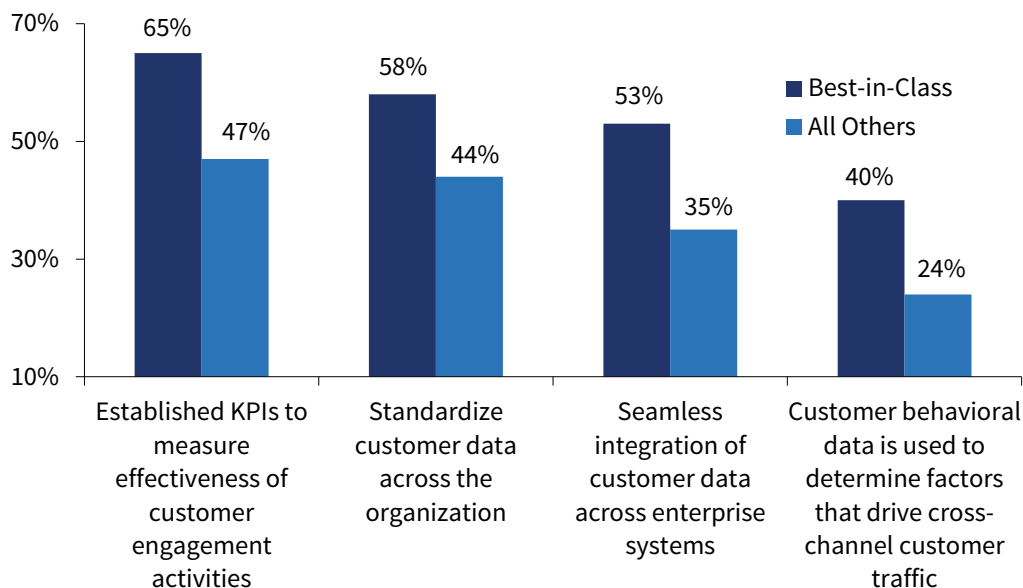
On average, employees spend 14% of their time looking for insights across disparate systems. This lack of productivity results in unnecessary costs as well as sub-par customer experiences.

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Aberdeen's March 2015 *Big Data in CEM: The Path to Productive Employees & Happy Customers* study show that an average employee spends 14% of his or her time looking for relevant data across enterprise systems (e.g. customer relationship management (CRM), enterprise resource planning (ERP) and e-commerce). This means that a business with 200 employees, where each employee's fully loaded cost is \$51,939 (*average median household income in the US in 2013*—assuming that this reflects the per capita income), would incur approximately \$1.45 million in unnecessary costs each year (200 times \$51,939 times 14% equals \$1.45 million). In addition, the employee time spent looking for information results in delays in addressing customer needs, thus frustrating buyers. Figure 4 shows the steps that Best-in-Class firms take to minimize the risk of experiencing such negative results.

Integrating data across disparate systems is vital to create a single view of the customer journey.

Figure 4: Getting Data Right Enables Success



Percent of respondents, n=257

Source: Aberdeen Group, March 2015

The common thread across all of the activities highlighted in the above graph is a focus on making effective use of data. Findings

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Mapping cross-channel customer behavior helps companies become more proactive in customer interactions as well as better plan future business activities.

from Aberdeen's March 2015 *[Big Data in CEM: The Path to Productive Employees & Happy Customers](#)* study show that only 4% of companies are satisfied with their ability to make effective use of customer data. This is rather striking as the same study revealed that 100% of businesses today are using multiple channels (at least two) as part of their CEM programs, and hence have more insights on buyer needs than ever before.

Converting the wealth of insights gleaned across multiple channels into a competitive advantage to drive efficiency requires firms to establish a unified view of customer data. This refers to all stakeholders in the business having the same view of the customer at the same time, therefore enhancing the ability to deliver omni-channel (consistent and personalized) messages. Companies use data quality and integration tools to address hurdles in integrating structured and unstructured data for a single view of each account across disparate systems. This ultimately helps firms reduce unnecessary costs resulting from poor employee productivity due to struggles in accessing relevant data.

In conjunction with creating a single view of customers through technology, Best-in-Class companies are also 32% more likely than their peers to standardize customer data across the business (58% vs. 44%). Standardizing data helps ensure that data captured and stored across different systems is consistent, and therefore easy to analyze through technology tools such as business intelligence and predictive analytics. The use of analytics helps firms better understand requirements to operate the business effectively and uncover the best ways to boost customer engagement program results.

Another operational benefit of customer data analysis is the ability to track historical interactions with different buyer groups. By doing so, companies are able to identify factors that

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drive cross-channel customer traffic. For example, considering our previous example of a financial services firm using four channels to interact with clients, using analytics to observe historical interactions would help the company identify the most common factors that cause buyers to move between any of the four channels. The insights gleaned from this analysis are invaluable as they help firms proactively offer customers the ability to change channels as well as plan business activities accordingly.

Using historical customer traffic data in planning activities helps firms schedule the right amount of agents for each channel as well as tailor contextual routing activities to maximize the likelihood of addressing client needs. Best-in-Class firms are 67% more likely than All Others to have a cross-channel behavioral mapping process in place (40% vs. 24%). However, as only four out of 10 of the top performers currently have this capability, it's also recommended for even the Best-in-Class to further incorporate analytics in their activities to identify factors driving cross-channel customer traffic.

#4 – Drive Business Growth

While maintaining and reducing costs is an important indicator of contact center success, also important is **driving business growth** – the fourth Best-in-Class pillar. For contact centers, this often comes in the form of targeted cross-sell and up-sell offers made diligently by well-trained and informed agents across different phases of buyer conversations. A contact center agent empowered with a comprehensive view of historical interactions with the buyer is well-positioned to use this information to provide the client with targeted offers. Considering that Best-in-Class firms are far more likely to use activities to empower their agents with such insights, it's accurate to note that the top performers are also more skilled in uncovering cross-sell and up-

Having fragmented views of customer data is a major obstacle in customer engagement programs. Companies challenged with it must work closely with IT to overcome this challenge.

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Customer interactions can no longer be handled in silos. Companies need a sense of purpose to guide these interactions, and that purpose should be engagement.

sell opportunities. Indeed, the disparity between the Best-in-Class and All Others in year-over-year annual revenue growth (31.3% vs. -6.1%) provides direct validation of the top performers' focus on converting siloed interactions into engagements that span the customer lifetime with the business.

Key Takeaways

The pursuit to delight empowered customers has companies focused on optimizing interactions across all channels. However, in today's hypercompetitive world, this is no longer enough to achieve Best-in-Class results. Companies must understand and fill in the gap between interactions and engagement in order to retain and expand the customers' wallet share as well as mindshare. Establishing and nurturing a successful customer engagement initiative helps Best-in-Class firms drive 31.3% year-over-year growth in their annual revenue, while enjoying a 90% client retention rate.

Best-in-Class organizations put four pillars in place to drive their customer engagement activities. Those are:

1. Establishing a customer-centric business environment
2. Adopting and nurturing omni-channel activities, and using cross-channel behavioral mapping to proactively manage customer journeys spanning multiple channels
3. Focus on driving operational efficiencies by making better use of customer data and enabling contact center agents with ease of access to it
4. Facilitating business growth through targeted conversations aimed at cross-sell / up-sell

If your business currently doesn't have one or more of the aforementioned pillars in place, we recommend adopting the

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related activities to make them a part of your customer engagement initiatives. In doing so, you'll unlock opportunities that align your organization with the Best-in-Class, ultimately helping you delight customers as well as ensure financial health of your business through engaged buyers.

For more information on this or other research topics, please visit [Aberdeen's Contact Center & CEM research practice page](#).

Related Research

[CEM Executive's Agenda 2015: Leading the Customer Journey to Success](#); March 2015

[Flash Forward: 2015 Customer Engagement Channels Adoption](#); November 2014

[Big Data in CEM: The Path to Productive Employees & Happy Customers](#); March 2015
[Customer-Centric ERP: Integrated Systems for Customer Satisfaction](#); December 2014

[Customer Engagement Analytics: How to Use Data to Create \(and Keep\) Happy Customers](#); June 2014

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