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ONLINE COMMUNITIES: HOW TO IMPROVE THE CUSTOMER EXPERIENCE & BOOST FINANCIAL SUCCESS

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Firms using online communities are four times more likely to deliver effortless customer experiences (CX). This report highlights the business value online community programs bring to companies. It also lists the key building blocks needed to maximize performance in this area.

The Business Value of Online Communities

It is no longer enough for firms to differentiate themselves solely based on superior products or lower prices — to stay competitive, they must excel in meeting and exceeding customer expectations. And one of the most prevailing expectations of today’s empowered customers is the ability to interact with businesses — and peers — through their own preferred channels.

Findings from Aberdeen’s February 2018 *Customer Experience Executive's Agenda 2018: How to Satisfy the Empowered Customer* study show that 36% of companies currently use online communities (see sidebar) within their CX channel mix. An additional 18% plan to incorporate it within their activities in 2018 and beyond — bringing the anticipated adoption rate to 54%.

Data from the aforementioned study shows that use of online communities is not restricted to only business-to-business (B2B) or only business-to-consumer (B2C) firms. Both B2B and B2C firms, as well as those selling to both consumers and businesses, currently use online communities, with adoption being the highest in the latter category. Table 1 shows how companies across all industries and of all sizes benefit from online communities.

Table 1: Build & Nurture an Online Community for Better Financials

Company Performance (n=164)	Companies with Online Customer Communities	All Others
Overall sales team attainment of annual quota	72%	63%
Return on marketing investments	58%	33%
Average profit margin per customer	31%	22%

Source: Aberdeen Group, April 2018

Definition: Online Communities

For the purposes of this research, Aberdeen defines “online communities” as a digital gathering ground for current and future customers, which enables them to interact with one another, share ideas and experiences with a product or service, and seek support from peers.

This community is built and managed by organizations, and allows companies to monitor conversations to reveal common topics in conversations to capture customer insights. Those insights are invaluable when fine-tuning company activities to address evolving buyer needs.

Data in the above table shows that companies using online communities achieve 14% greater overall sales team attainment of quota and 76% greater return on marketing (ROMI) investments, compared to All Others. The latter is defined as company revenue that can be attributed to marketing programs. To sell more and market more effectively, firms must understand customer needs and address them at the right time through tailored interactions. Considering that firms with online communities excel across sales and marketing key performance indicators (KPIs), we can infer that using online communities helps them better understand their buyers and address their needs in a truly personalized fashion.

Data also shows that firms with online communities achieve 41% greater average customer profit margin, compared to companies without online communities (31% vs. 22%). Online communities provide self-service functionality, which reduces the need for agent assistance, hence reducing support costs. Online communities also provide a forum where firms can leverage the voice of their customers. Specifically, this refers to identifying and encouraging happy and loyal customers to share their experiences with prospects joining the online community. This in turn helps increase revenue through customer referrals. The ability to decrease costs while growing revenue, therefore, allows firms with online communities to enjoy greater profit margins.

The above findings provide a snapshot (current performance) of companies with online communities. While these companies currently enjoy superior profit margins, they also — more importantly — attain significant year-over-year performance gains across a wide variety of KPIs. Let's take a closer look at those KPIs by their type:

Financial: One of the very first questions CX leaders must answer before investing in or upgrading any technology is the expected return from that technology. Figure 1 on the next page shows a compelling story in this respect. Firms with online communities achieve 3.75 times greater annual increase in overall sales team attainment of quota, compared to All Others (15.0% vs. 4.0%).

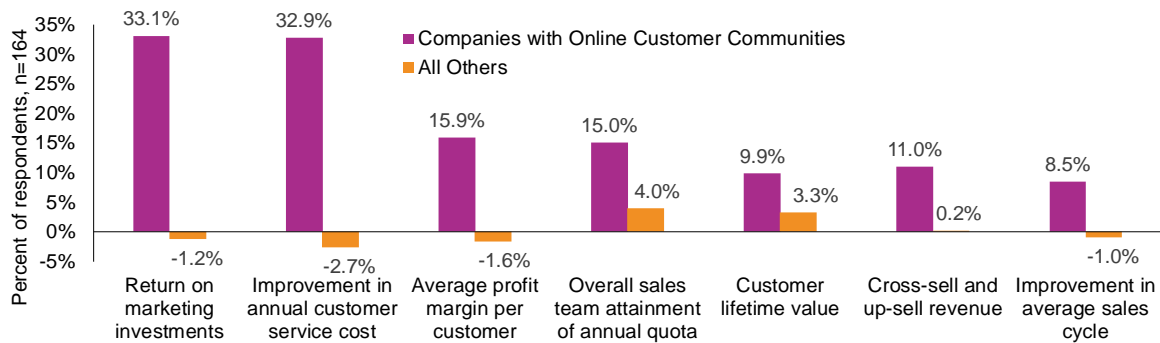
Among the reasons why **firms with online communities enjoy improvement in attaining their sales goals** is the ability to cross-sell / up-sell better to existing clients. Online communities provide a forum where companies can track user activities in the community and use the resulting insights to determine opportunities for cross-sell / up-sell to pursue them. As an example, if a client is asking questions or searching for articles related to the standard warranty of a product, this information would enable the firm to target that account with an extended warranty program — if the customer is eligible.

Companies using online communities achieve 14% greater overall sales team attainment of quota and 76% greater ROMI, compared to All Others.

Firms with online communities achieve 41% greater average customer profit margin.

Firms with online communities achieve 3.75 times greater annual increase in overall sales team attainment of quota.

Figure 1: Firms with Online Communities Enjoy Greater Financial Success



Source: Aberdeen Group, April 2018

Sales effectiveness: Figure 1 also shows that **firms with online communities drive sales effectiveness** more than those without it. Specifically, they *shorten* sales cycles by 8.5% year-over-year, whereas All Others observe a 1.0% lengthening of their sales cycle. This means sales teams in firms without online communities take longer to sell products / services, impeding revenue growth.

An online community allows firms to enable sales reps to monitor prospect activities. This in turn allows the business to analyze the questions a prospect is asking to current users. Firms can also monitor the articles current users search for to educate themselves or do self-service. These insights are invaluable in helping the sellers tailor each interaction with prospects to turn them into customers. It also allows sellers and account managers retain existing clients and grow their spend.

Marketing effectiveness: Modern marketing programs are very results-oriented. Specifically, CMOs today aren't just measured by activities whose results are hard to track (e.g., change in company branding). Rather, they're measured by the impact they create on company revenue. Thus, CMOs must improve ROMI and must do so at a greater scale than their peers to be considered successful.

Figure 1 shows that companies using online communities within their CX programs achieve a drastic annual increase of 33.1% in ROMI, whereas companies that don't use online communities observe a 1.2% *worsening*. This means that **using online communities within the CX channel mix helps marketers achieve their goal of driving quantifiable results**. Online communities support improving marketing effectiveness because they provide a platform where current and potential customers can interact with one another. Through this platform, marketers can target more qualified prospects to convert them to customers. They can also run

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Online community users achieve a drastic annual increase of 33.1% in ROMI, whereas CMOs that don't use online communities observe a 1.2% worsening.

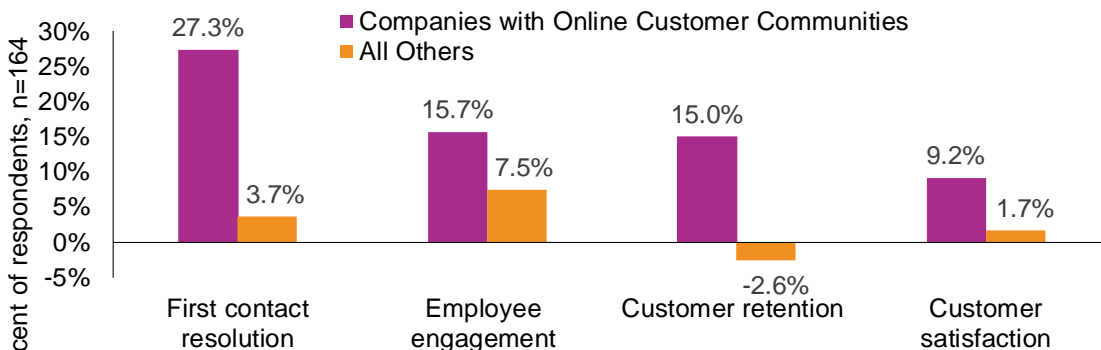
advocacy programs encouraging and incentivizing current buyers to share positive experiences to turn new community members who are not customers into paying clients.

Service excellence: Customer service is another area where firms with online communities truly outpace All Others. Data shows that firms using an online community platform improve (decrease) support costs by 32.9% year-over-year, whereas those without it observe 2.7% worsening (increase). Online community users enjoy such decreases in cost because when designed effectively, **online communities provide customers with a platform they can use to address their own needs**, such as how to address a simple product / service issue. As such, companies can deflect those issues that would have otherwise been handled through agent-assistance (see sidebar). This helps reduce associated agent labor costs.

Providing customers with the ability to help themselves, if and when they need it, minimizes buyer effort. In other words, it helps make it easier for customers to do business with companies. This increases the likelihood of retaining current clientele and growing their spend — a result reflected by firms with online communities increasing customer lifetime value by 3.0 times more year-over-year, compared to All Others (9.9% vs. 3.3%).

Customer experience: The strong performance results enjoyed by firms with online communities ultimately hinge on their ability to meet and exceed customer expectations. Without that, firms can't increase customer spend, improve marketing campaign effectiveness, or drive profitability. Figure 2 shows the performance gains online community users enjoy in terms of CX KPIs.

Figure 2: Online Communities Boost Customer Satisfaction and Loyalty



Source: Aberdeen Group, April 2018

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Be Careful When Using Online Communities for Self-Service

Self-service works for rather simple issues (e.g., password reset, how to change product settings). More complex issues such as reconfiguring a service or making significant hardware changes often require expert guidance, which is why those issues are best resolved through agent assistance. Otherwise, self-service will only frustrate customers when they try to solve complex issues, and they'll still ultimately seek agent support.

When building and managing an online community, track and identify those issues that are best resolved through self-service, and enable customers to help themselves through the online community. For other issues, make it easy for buyers to transition from the online community to other channels (e.g., phone, email, and chat) for agent-assisted support.

Figure 2 shows that firms with online communities enjoy 5.4 times greater annual increase in customer satisfaction rates, compared to All Others (9.2% vs. 1.7%). Since happy buyers are more likely to retain their business, we see that online community users also grow customer retention rates by 15.0% year-over-year, whereas those without it observe a 2.6% *worsening*. This improvement is important to note, because it's costly for companies to acquire net-new customers to replace lost ones. Hence, retaining current clientele and turning them into advocates to drive free marketing for the business for referral revenue must be top-of-mind for any CX practitioner looking to maximize performance results.

Besides the business benefits observed thus far, an interesting benefit enjoyed by firms with online communities is improvement in employee engagement (see sidebar). Figure 2 shows that these firms observe 2.1 times greater annual increase in employee engagement rates, compared to All Others (15.7% vs. 7.5%). Online communities improve this metric because customer activities within the online community provide employees across various departments (e.g., service, marketing, and operations) with relevant insights they need to better do their jobs. Providing employees with those relevant insights helps them become productive and engaged in their work, and ultimately have those employees be the driving force behind all the KPI improvements we have noted thus far. As a result, while online communities are a part of CX programs, HR leaders should also take notice of their benefit for the purposes of retaining top talent.

The Building Blocks for a Best-in-Class Online Community

Looking at the performance results enjoyed by companies with online communities, it's no surprise that firms plan to increase their use of this channel in 2018 and beyond. However, when building an online community for the first time — or managing an existing one — it's important to remember that **it's not just having an online community that helps firms achieve better results. Rather, it's how the community is managed.** Research revealed three building blocks savvy firms use to get the most out of their online community programs:

1. Make Your Online Community an Integral Part of Customer Journeys

Customers join a community, contribute to it, and invite others only when they see value in it. For customers to deem a community valuable, companies must ensure the community meets the buyer expectations. Figure 3 shows the activities savvy firms use to make their online community truly customer-centric. First, they are 74% more likely

Firms with online communities enjoy 5.4 times greater annual increase in customer satisfaction rates.

Definition: Employee Engagement

Aberdeen defines employee engagement as a state of positive work-related attitude, characterized by high levels of energy, emotional commitment, and satisfaction derived from the work itself.

When employees are engaged, they feel a vested interest in the company's success and are both willing and motivated to perform to levels that exceed the stated requirements of their job. Engaged employees positively influence the buying behaviors of customers, leading to higher customer loyalty and profitable growth.

Online community users also grow customer retention rates by 15.0% year-over-year, whereas those without it observe a 2.6% worsening.

than All Others to use segmentation (87% vs. 50%). This allows segmenting community users by various criteria such as the product / service they use, demographics, etc.

One of the many ways to segment the community members is by their social “influence.” This refers to how many current and potential buyers a current community member can reach and influence. It’s important to know those influencers, as it helps firms ensure influencer needs are met to minimize the risk of them sharing any negative word-of-mouth. It also helps target those influencers through dedicated marketing campaigns / incentives encouraging them to share positive word-of-mouth to help positively influence the brand image and drive referral revenue.

Figure 3: Know Your Customers' Journeys



Percent of respondents, n=164

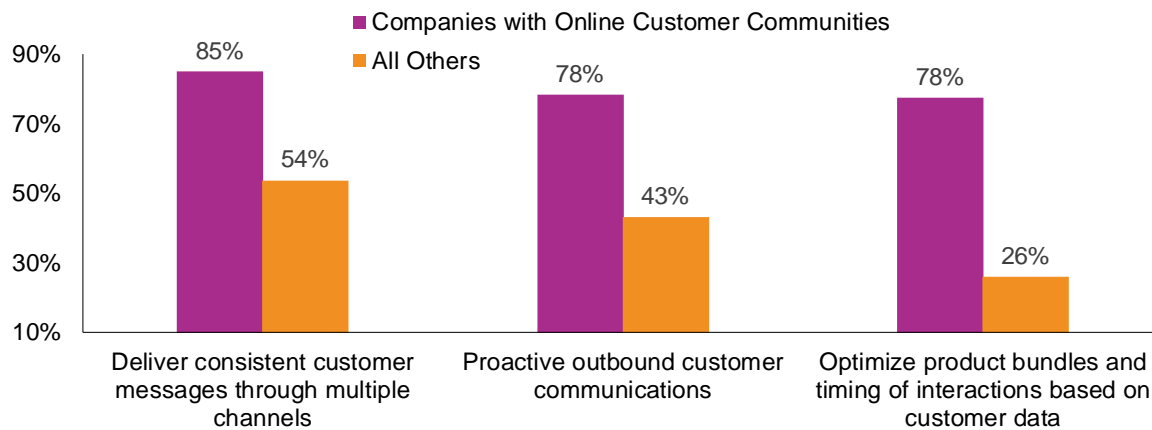
Source: Aberdeen Group, April 2018

To address precise customer needs, companies must know the journey of each buyer. This means mapping the historical touch points and the context of each interaction across all channels. For example, knowing that a technology buyer visited the website of a software provider would allow the provider to recommend articles related to the specific product the buyer was looking for on the company website. Journey mapping is a critical capability that helps companies enjoy Best-in-Class results, as illustrated in the *Customer Experience Executive's Agenda 2018* study. Figure 3 shows that firms with online communities are 3.6 times more likely to have this capability than All Others (71% vs. 20%).

2. Connect Your Online Community with Your Omni-Channel Efforts

To build accurate journey maps, companies must **first build a single view of customer data captured across all channels**. This helps employees throughout the business ensure they see the same view of customer interactions at the same time. It also helps enrich the ability to personalize customer conversations. The ability to deliver such consistent and personalized interactions across all channels is also known as omni-channel customer experiences. Figure 4 shows that firms with online communities are 57% more likely than All Others to ensure consistency of interactions across all channels (85% vs. 54%). They are also 3.0 times more likely than All Others to optimize each interaction based on customer journey insights (78% vs. 26%). In other words, savvy users of online communities **master delivering seamless interactions across all stages of the customer lifecycle**.

Figure 4: Weave Omni-Channel Within Your Online Community Efforts



Percent of respondents, n=164

Source: Aberdeen Group, April 2018

A benefit many firms using online communities omit exploring is proactive communications with community users. The empowered customers don't want companies to only address their needs when they seek help. They also expect companies to proactively engage them with information they value. For example, a community user asking for help from other users on a specific issue might not have the time to regularly log in to the community to check if the question was answered. Instead, providing the user with automated alerts when peers (or a company employee) provide answers allows the user to expend minimal effort and helps make the community more user-friendly. Figure 4 shows that savvy firms are 81% more likely to have such proactive outbound communications as part of their online community program, compared to All Others (78% vs. 43%).

Online community users are 3.0 times more likely than All Others to optimize each interaction based on customer journey insights.

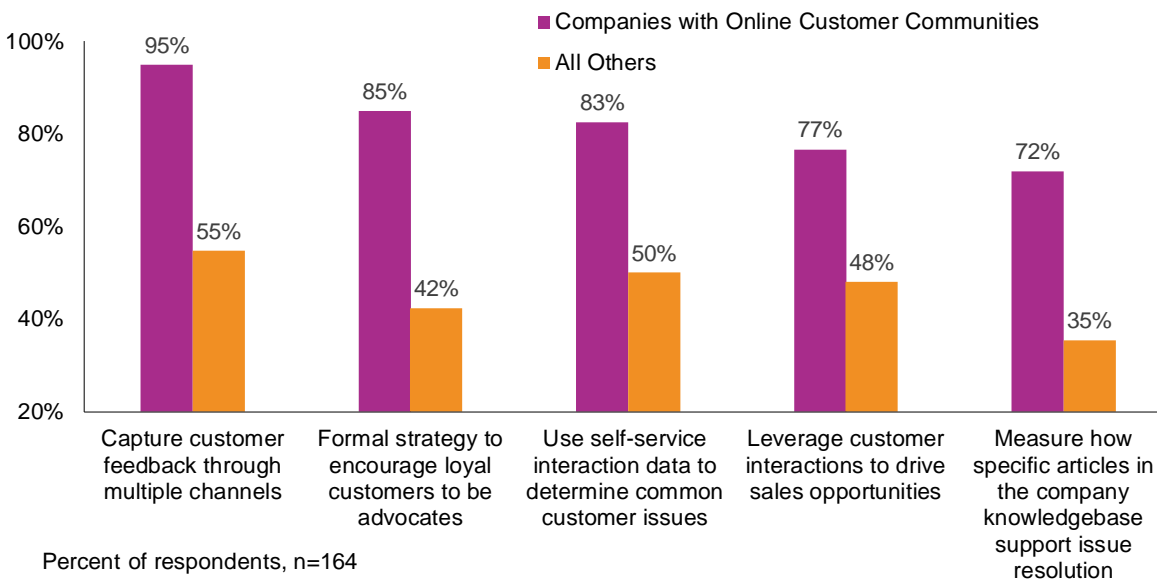
Savvy users of online communities are 81% more likely to use proactive outbound communications with community members.

3. Measure and Monitor Community Performance to Achieve Desired Results

Earlier, we provided insights into why using an online community helps firms achieve superior results. Figure 5 details the connection between those results and specific performance measurement and management activities. For example, we noted that marketers enjoy superior ROMI in part due to referral revenue driven by customer advocates encouraged through marketing programs. Figure 5 shows that savvy users of online communities are twice more likely to have a formal strategy to encourage loyal customers to become brand advocates (85% vs. 42%). This allows those firms to determine social influencers and encourage them to drive referral revenue for the company, which translates to marketing-influenced revenue growth.

Firms with online communities are 2.0 times more likely to have a formal strategy to encourage loyal customers to become brand advocates.

Figure 5: Use Analytics to Minimize Customer Effort Through the Online Community



Percent of respondents, n=164

Source: Aberdeen Group, April 2018

We also noted that firms using online communities enjoy superior cross-sell / up-sell revenue growth. Figure 5 shows the reason why — these firms are 60% more likely to have a process to utilize community interactions to pursue sales opportunities (77% vs. 48%). However, it's important to remember that not every interaction in the online community allows exploring such sales opportunities. Firms must be cautious against targeting unhappy community members with cross-sell / up-sell messaging. Instead, these interactions must focus on addressing customer issues first. Once done, then the company may consider targeting users with cross-sell / up-sell opportunities. However, targeting prospective customers who are users of the online community through

Firms making effective use of online communities are 60% more likely to have a process to utilize community interactions to pursue sales opportunities.

this process is a valuable activity helping firms convert potential buyers into paying customers.

Figure 5 sheds more light onto how firms with online communities accomplish service excellence. Specifically, it shows that they are 66% more likely than All Others to analyze self-service use cases of the online community to determine the top reasons / issues for which buyers seek support (83% vs. 50%). This information helps CX leaders determine common customer issues and design processes (e.g., change product design, issue product recall) to mitigate those issues.

Monitoring common customer issues also helps determine if the online community features articles that will help users address their issues. If not, the company can add those articles to improve the user experience. In fact, Figure 5 shows that savvy users of online communities are 1.6 times more likely than All Others to measure how each article influences issue resolution (77% vs. 48%). This helps determine those articles that may be outdated due to changes in product / service design, features, etc. It also helps determine those articles that help resolve customer issues, so those articles can be recommended to users searching for issue resolution on a related topic.


Determining common customer issues and identifying how each article impacts issue resolution requires firms to use analytics. Otherwise, this analysis can become very complex, resource-intensive, and prone to error. To this point, data shows that firms with online communities are 2.1 times more likely to use business intelligence, compared to All Others (73% vs. 35%).

Key Takeaways

The incorporation of online communities is on the rise because it delivers results. Those results include improving marketing effectiveness, maximizing customer experiences, decreasing service costs, and growing company revenue. While companies of all sizes and industries benefit from such results, company size or resources are not the only criteria firms must use to gauge their need for an online community. More importantly, they must determine how current and potential customers can use the community to get their needs addressed. This will have the greatest impact in helping firms meet and exceed client expectations.

A common mistake companies make when investing and upgrading many technologies is assuming that the technology itself is enough to achieve superior results. If the technology can be considered a powerful engine, it's ultimately the user of that engine that ultimately determines

Companies that achieve top-notch results are 66% more likely than All Others to analyze self-service use cases of the online community to determine the top reasons / issues for which buyers seek support.



performance results. Research shows that savvy companies that utilize online communities employ a series of activities to help maximize their performance. These activities can be grouped under three building blocks:

- ▶ [Make your online community an integral part of customer journeys](#)
- ▶ [Connect your online community with omni-channel efforts](#)
- ▶ [Measure and monitor community performance to achieve desired results](#)

If you don't have an online community, but are considering how one might impact your business results, we highly recommend using the above building blocks to maximize your performance. If you currently have an online community and you're looking to improve its results, then we recommend observing which of the capabilities under each building block your firm lacks to shift your online community performance results into high gear.

Related Research

Customer Experience Executive's Agenda 2018: How to Satisfy the Empowered Customer; February 2018

Customer Service & Marketing Alignment: Maximizing the Customer Experience; January 2018

Contact Center & Customer Experience Trends 2018; January 2018

Omni-Channel Customer Care: How to Deliver Context-Driven Experiences; October 2017

Customer Engagement Analytics: Take the Right Step, Every Time; June 2017



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Since 1988, Aberdeen Group has published research that helps businesses worldwide to improve their performance. Our analysts derive fact-based, vendor-neutral insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategies. Aberdeen Group is headquartered in Waltham, Massachusetts, USA.

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