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SAMPLE: Customer Engagement Report 2011

In association with cScape

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SAMPLE: Customer Engagement Report 2011



Published January 2011

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1. Executive Summary and Highlights

This is Econsultancy's fifth annual Customer Engagement Report carried out in association with cScape. More than 1,000 companies and agencies took part in the research, which took the form of an online survey¹ in September and October 2010.

The report looks at trends relating to customer behaviour and attitudes, and the tactics and techniques being used by companies to cultivate engagement. Companies continue to use a range of established techniques such as email newsletters, blogging and branded communities or forums.

Businesses are now more likely to be using both social media and mobile channels to deepen customer relationships and improve levels of service, including through the use of social networks, Twitter, mobile applications and location-based marketing.

- *Email newsletters (72%), presence on social networks (48%) and micro-blogging (46%) are the tactics most likely to result in a tangible improvement to companies' online customer engagement.*
- *Significantly more companies than last year are planning to increase investment in user-generated content (+13%), on-site branded communities/forums (+9%) and rich on-page interactive experiences (+8%).*
- *The vast majority of company respondents (73%) are planning to invest in the mobile channel in 2011. This compares to 60% who said they planned mobile investment at the same stage a year ago.*

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¹ Econsultancy uses Clicktools for its online surveys



1.1. Other key findings

1.1.1. Customer engagement strategy

- The proportion of client-side respondents who regard customer engagement as “*essential*” has decreased from 55% last year to 50% this year, the same level as for the first Customer Engagement Survey carried out four years ago. Agency results are slightly different – the proportion of agencies who say that customer engagement is “*essential*” for their clients has increased to 57%, up from 55% last year.

1.1.2. Tactics, behaviour and attitudes

- A large proportion of organisations will continue to invest in *email newsletters* (62%), *presence on social networks* (58%) and *video* (52%) to drive online customer engagement over the next 12 months.

1.1.3. The social enterprise

- Significantly more companies than last year are using *social networks* (+7%) and *video sharing* (also +7%) for *product development and innovation*.

1.1.4. Mobile

- The vast majority of company respondents (73%) are planning to invest in the mobile channel in 2011. This compares to 60% who said they planned investment at the same stage last year. Less than a fifth (19%) are planning to *invest significantly* during 2011.

1.1.5. Mapping and measurement

- The majority of company respondents (57%) have found *web analytics* to be among the three most useful methods for gathering intelligence in the context of customer engagement. *Feedback from customer-facing staff* is considered to be useful by more than a third of organisations (36%), and this figure has jumped by 9% since last year. The proportion of companies who say that *online customer surveys* are useful has decreased by 10% in the last year.

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2. Introduction by cScape (survey sponsor)

Welcome to the 2011 Online Customer Engagement Report. Now in its fifth year this annual report has become the benchmark for organisations wanting to assess their Customer Engagement strategies. We have had a terrific response from individuals and companies on both client and agency side with over 1,000 participants from a wide range of industries. The survey continues to be the largest of its type anywhere in the world. It is exciting to see that the survey continues to gain an increasing number of responses (now over 35%) from outside the UK, with participants from the Americas, Africa, and Asia-Pacific regions.

As always, there is a lot hidden away in the results of this year's survey, but if I had to highlight three main things that strike me as important this year it would be these; the maturation of mobile as a platform, the potential end of the destination as the central place for companies to do business as they increasingly move to third party platforms, and the continuing emergence of social technologies within the enterprise.

This year's results show a significant increase in mobile activity and its role in creating and maintaining relationships with customers. Only eighteen months ago, developing applications for mobile devices was viewed as a slightly eccentric indulgence, limited to the most brave and forward-thinking of brands. Now, everyone is developing iPhone and Android apps and it appears, they are not only seeing positive results but they also expect to build and consolidate on their early experiences and invest more in the future.

Why is this important? All the talk of 'shopping from the palm of your hand' aside (I myself quite like shops, and don't see them going anywhere soon). This shows a significant move towards engaging with customers in their 'native spaces' (i.e. away from the retail site and the computer). There is a growing appreciation that the path from discovery to purchase can be a convoluted and personal one for each individual. Location based services and augmented reality appear to be strengthening too, as companies are beginning to move away from experimentation and novelty into some seriously useful applications. The key to making this work is simplicity and problem solving: many apps are still rather one dimensional and do not focus enough on end user benefits. I don't merely want a portable catalogue of your products, I want to know where they are in stock near me, what other people think about them, and to see how they are being used in a context similar to mine.

Since the last Customer Engagement report there are an increasing number of organisations who are comfortable doing business on third party platforms. Facebook, Twitter, eBay and Amazon have already become truly measurable and credible spaces for doing real business, and have adjusted their services, advertising and revenue models to capitalise on this. Many customers are now using Twitter, for example, as their key conduit for communication with suppliers of services and products, and the relationship is becoming increasingly balanced and mutually satisfying. These platforms are jostling to become the single touch point for their users' online activities (see Facebook's launch of integrated SMS and email services as a telling sign of this), and that changes the rules somewhat around accessing behavioural data and targeting groups of users.

This is tremendously empowering and levelling for smaller enterprises or those yet to establish a major online presence. You can get famous for being good again without the need for a massive media spend.

The past year has seen a dramatic increase in companies not only listening but now responding to the concerns of their audiences via channels that only a few months ago were seen as a threat - or at the very least uncontrollable. As these pioneers have discovered, there is no substitute for people.

Social media has put people right back at the centre of things – just where they should be. Social proof and recommendations continue to establish themselves as increasingly important, with

companies looking to their customers as brand advocates, content creators and critics. Of course engaging with customers via social media does have its risks (and certainly its governance issues, particularly within large and disparate companies), but the stories of satisfaction far outweigh those of disaster, and sometimes a bit of imperfection can actually warm an audience to your message. My advice? Look inside your organisation for the willingness to engage and take responsibility for the one to one customer interaction, plan properly, ask for help where you aren't sure, and above all, trust your people.

Trusting and empowering your people leads me on to the final issue I want to raise: With the increasing focus of marketing and customer services now on the individual – individual communications, individual combinations of products and services, delivered by individuals – how is an enterprise expected to manage, empower and govern these interactions effectively?

It seems a look outside the office gates is a good place to start. For a while now the most advanced social media has existed outside the organisation (Facebook, Twitter) and users are comfortable with technologies that a few years ago were seen, even in fairly rudimentary forms, as being at the vanguard of social technology. Where traditional technologies were often pioneered within wealthy, resource-rich enterprises, now we see the opposite phenomenon; millions of users living in a dynamic social space outside their places of work, expecting to realise some of the benefits this behaviour can bring when they arrive at work each day. The technologies are available for an organisation to effectively build its intellectual capital and knowledge management while empowering its front line staff. It may have been a slow start, but things are beginning to change and forward thinking organisations are reporting seeing tangible improvements as a result of their staff taking responsibility and initiative within individual customer relationships empowered by social technologies and learning. In turn customers are showing their gratitude through their continued loyalty and positive feedback in what continue to be very challenging times.

A couple of years ago, a previous edition of this report proposed the 'death of digital' i.e. digital as a discrete activity was dead. This seemed provocative but over the past couple of years this forecast has been realised with a significant shift towards integration within traditional advertising and communications agencies towards 'full service' where digital is viewed as one of an array of platforms (along with print, display and broadcast). There has certainly been a maturing of the campaigns we have seen here at cScape; customer service, product launches, e-commerce and retail are now truly blended activities, seen by clients and agencies alike as key components of a successful campaign.

Over the past five years, as this report has evolved, so has the industry in which its participants operate, and I sense that Customer Engagement is at a crossroads. Clearly, those who are prepared to invest resources, time and – above all – allow for experimentation, mistakes and learning, are reaping tangible rewards as engagement becomes part of the fabric of day-to-day interactions with customers. While this is good news, I feel it is likely that recognising activities as being discretely 'Customer Engagement' driven is going to become more of a challenge in the future. In the same way 'digital' has died, and that 'new media' is now a quaintly out-dated term, we may see a similar evolution for customer engagement, and soon it will be unrecognisable from the activities of the most successful organisations. While that is likely to make our jobs as strategists, designers, researchers and planners more difficult, I welcome it with anticipation.

So, I now hand over to the many brilliant and creative minds who have offered their thoughts, insight and analysis to this report. We welcome back a number of previous contributors as well as a few new faces I am very excited to introduce. Many thanks to them and of course to you for reading. To all those who took the time to complete the survey, thank you – you make it all possible. Thanks also to Linus and the team at Econsultancy for your hard work, and to my colleagues at cScape: Sarah, Richard, Theresa and Rob.

Dom Graveson, Lead Consultant, Customer Engagement Unit, cScape



3. Introduction by Econsultancy

It's now almost five years since Econsultancy and cScope embarked on the first Customer Engagement Report.

So much has happened in that time, and most of the major developments have reinforced the importance of customer engagement as an essential part of a sustainable business strategy.

What are those major developments? Well, most obviously the social media revolution has forced companies to think about how they engage with customers beyond the context of their own websites and the touch points they control.

While the impact of social media has to some extent been overhyped, what is clear is that this phenomenon has galvanised many businesses into thinking about their engagement with customers beyond the context of sales and marketing.

Forward-thinking companies are increasingly using social media for customer support, or as a way of crowdsourcing new ideas and innovating. According to this research, half of companies are now using social networks as a customer service channel. This is an extraordinary statistic.

The "social enterprise", now an important element of this annual study, is a concept which more companies are starting to embrace because they realise that they need to have the right culture, processes and technology in place internally, if they are to stand a chance of engaging effectively with customers in the outside world.

Some would argue that customer engagement almost supersedes advertising, because of the halo effect and goodwill towards brands that get this right in a world seemingly ruled by social media-fuelled word of mouth. Advertising isn't going to disappear but certainly more companies are looking at the balance of their budgets, and whether they are actually delivering on the promises they make with brand advertising.

Another area which is so much more pertinent than it was half a decade ago is mobile marketing. Since last year, this topic has had its own section in this report. And with good reason. In the blink of an eye, engagement through mobile has suddenly gone from being a nice-to-have to something which customers are expecting.

Not surprisingly, the majority of company respondents (73%) are planning to invest in the mobile channel in 2011. Types of investment include the creation of mobile applications and location-based marketing. Many companies are now selling through the mobile channel. It's no longer just about sending a timely text message or making sure a website is WAP-enabled.

Of course, customer engagement isn't all just about mobile marketing and social media. The report also takes a look at some of the tactics and methods used to engender online engagement. As well as more time-honoured tools such as email, there is increasingly a place for innovative techniques transplanted from areas such as social networks and gaming.

At the moment, only a minority are using game-inspired features such as playful interfaces, top customer charts and levels of access which depend on the extent of engagement. But expect uptake of these techniques to increase in the future as companies seek to gain a competitive advantage.

Linus Gregoriadis, UK Research Director, Econsultancy



4. About Econsultancy

Econsultancy is a [digital publishing and training group](#) used by more than 200,000 internet professionals every month.

The company publishes [practical and time-saving research](#) to help marketers make better decisions about the digital environment, build business cases, find the best suppliers, look smart in meetings and accelerate their careers.

Econsultancy has offices in New York and London, and hosts more than [100 events](#) every year in the US and UK. Many of the world's most famous brands use Econsultancy to [educate and train](#) their staff.

Some of Econsultancy's members include: Google, Yahoo, Dell, BBC, BT, Shell, Vodafone, Virgin Atlantic, Barclays, Deloitte, T-Mobile and Estée Lauder.

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5. About cScape

cScape is an award-winning, full-service digital agency that ranked number 18 in NMA's design and build 2010 top 100 poll. Based in the UK but operating internationally, cScape is part of the AIM-listed cScape Group Limited. We offer digital marketing/customer engagement campaign strategy, planning, management and training (including social Media governance); graphic design and rich media services including app development and video, and technical health checks/build (intranet, extranet, website and mobile) for customers such as Barclays, Catlin, Deutsche Bank, Just Retirement, Bauer Media, Akzo Nobel, Sony, Aviva and CIPD (Chartered Institute of Personnel and Development).

We practice what we preach in terms of engaging our own clients, many of whom have retained cScape to help them with their digital marketing for many years. So what made these customers choose us? The main reason cited is our unique mix of strategic, technical and creative services, combined with our ability to draw on multi-disciplined engagement experts from around the globe.

We've won multiple awards for our information architecture, user experience and creative work. In addition, cScape is technically strong across the board, with particular expertise in Microsoft SharePoint technologies, holding Gold Partner status with a Microsoft Most Valuable Professional (MVP) as our Chief Technical Officer.

We've an exciting programme of events and publications planned for 2011. For more information about these or to find out more about the CEU and cScape's other services please contact Theresa Clifford by email t.clifford@cscope.com or call us on + 44 (0)20 7689 8800.

Find out more about cScape and the Customer Engagement Unit

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6. Methodology and Sample

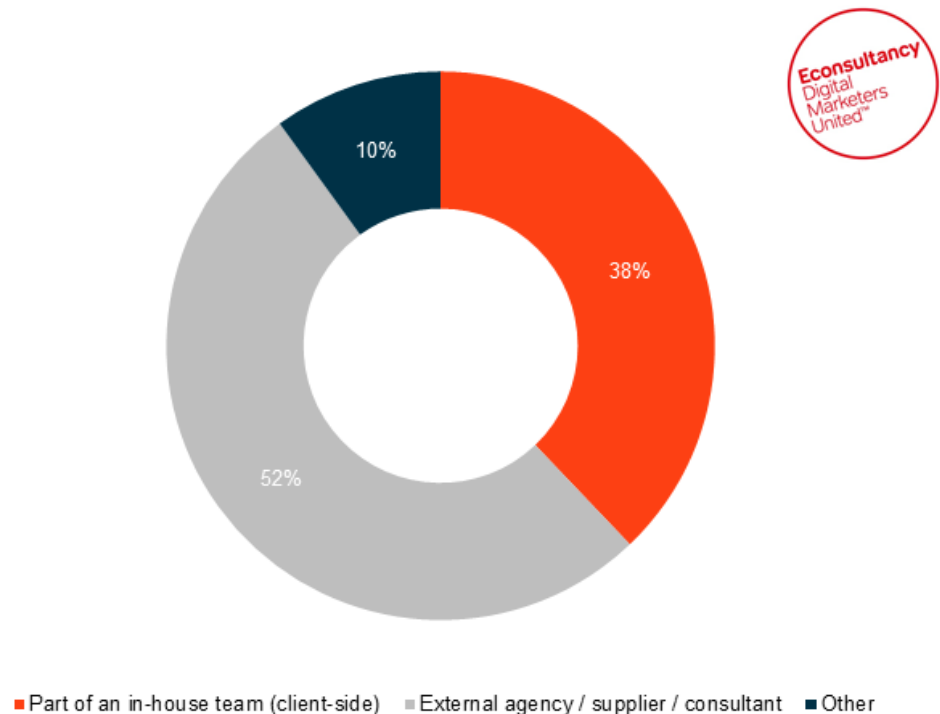
6.1. Methodology

6.2. Respondent profiles

Just over half of survey respondents (52%) work for external agencies (including consultants and technology suppliers), while 38% work for in-house teams (i.e. client-side organisations). In total, 444 client-side respondents took part in the survey, compared to 611 agency participants.

For the purposes of this report, we have carried out separate analysis for both these groups and the distinction is abbreviated to ‘companies’ (including not-for-profit organisations) and ‘agencies’.

Figure 1: What type of organisation do you work for?



Response: 1172

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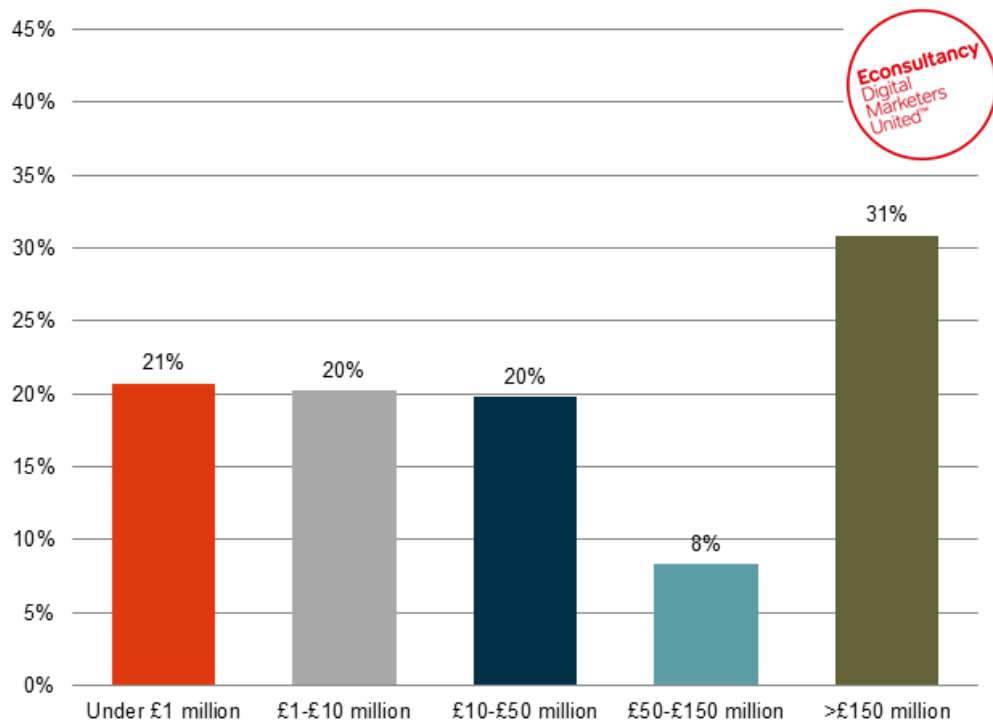
6.2.1. Annual company turnover

Figure 2 shows the range in the size of participating, client-side organisations, as defined by annual company turnover. More than a third of respondents (41%) work for companies with annual revenues of £10 million or less.

Almost two thirds of participating companies (59%) have an annual turnover of £10 million or more and approximately half of these (31%) work for organisations with revenues in excess of £150 million.

Companies

Figure 2: What is your annual company turnover?



Response: 254

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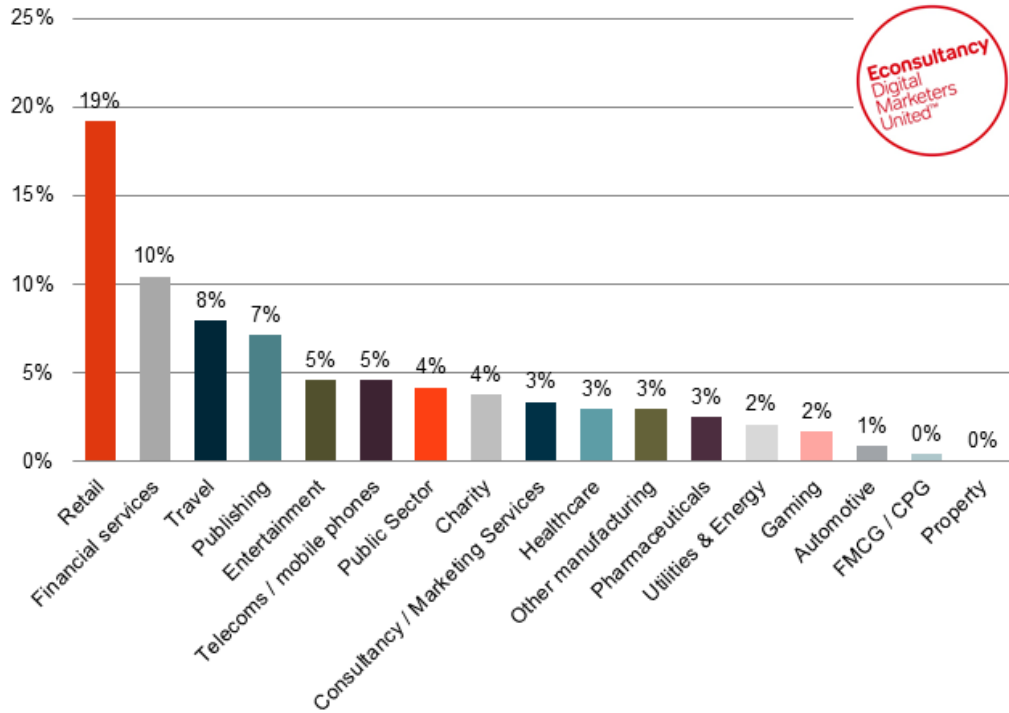


6.2.2. Business sector

Client-side respondents come from a wide range of sectors, with *retail* (19%), *financial services* (10%), *travel* (8%) and *publishing* (7%) being the best represented.

Companies

Figure 3: In which business sector is your organisation?



Response: 240

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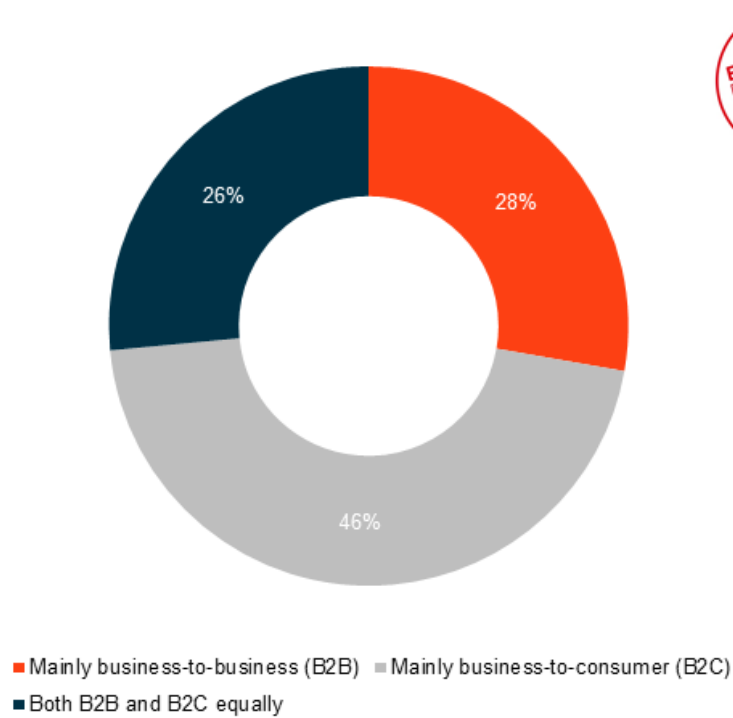


6.2.3. Business focus

Almost half of the companies surveyed (46%) are mainly B2C-focused. Just over a quarter of companies (28%) have a mainly B2B focus, while 26% focus on B2B and B2C equally.

Companies

Figure 4: What types of business have you focused on in the last 12 months?



Response: 210

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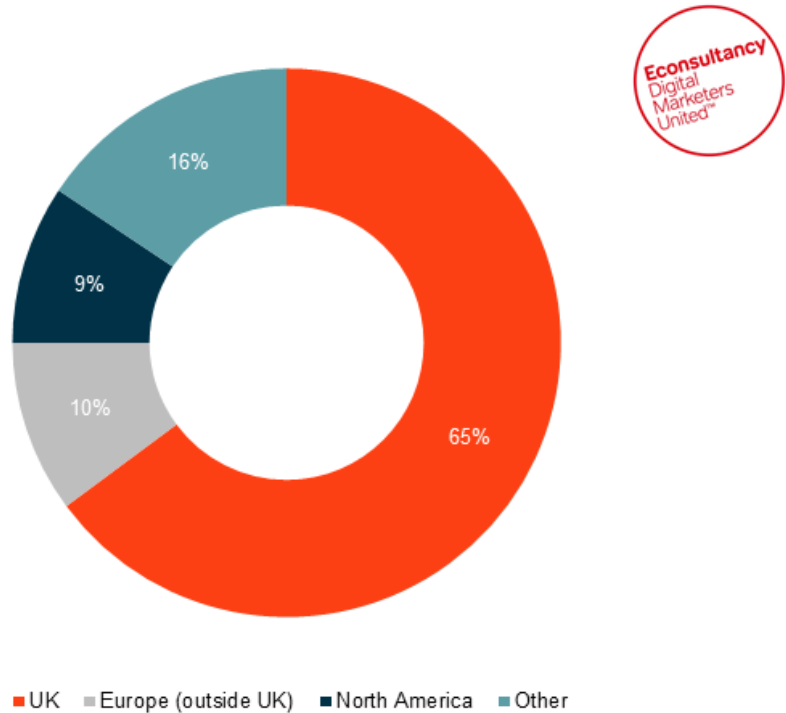
6.2.4. Geography

Although the majority of client-side respondents (65%) in this survey are UK-based, this is very much a global survey as was the case for the previous four reports. Some 9% of companies are located in North America and 10% are based in mainland Europe.

'Other' countries or regions represented include Australia, Brazil, Germany, India and New Zealand.

Companies

Figure 5: In which country/region are you based?



Response: 256

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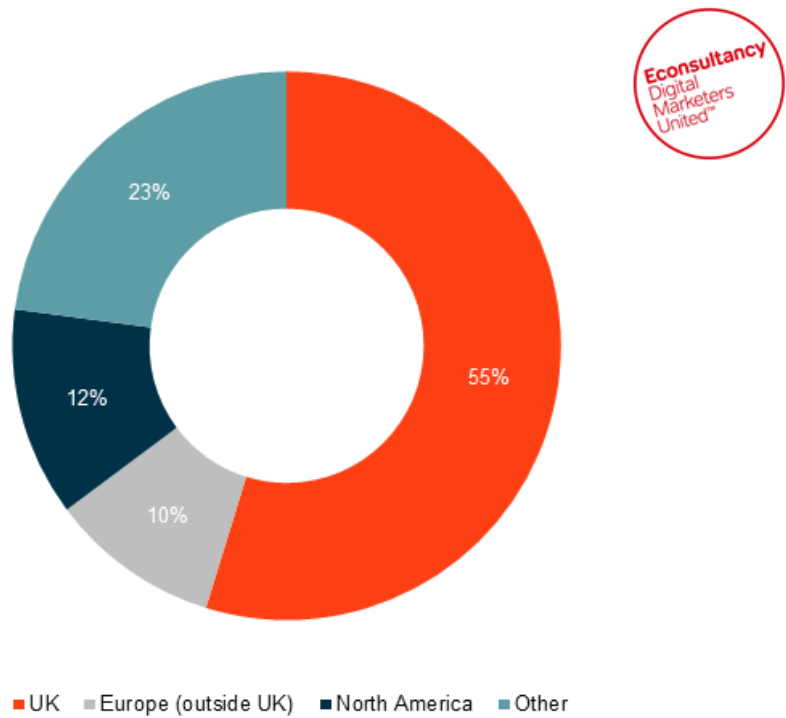
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More than half of agency respondents (55%) are based in the UK, with a slightly higher proportion of respondents coming from North America (12%).

Agencies

Figure 6: In which country/region are you based?



Response: 307

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7. Findings

7.1. Customer engagement strategy

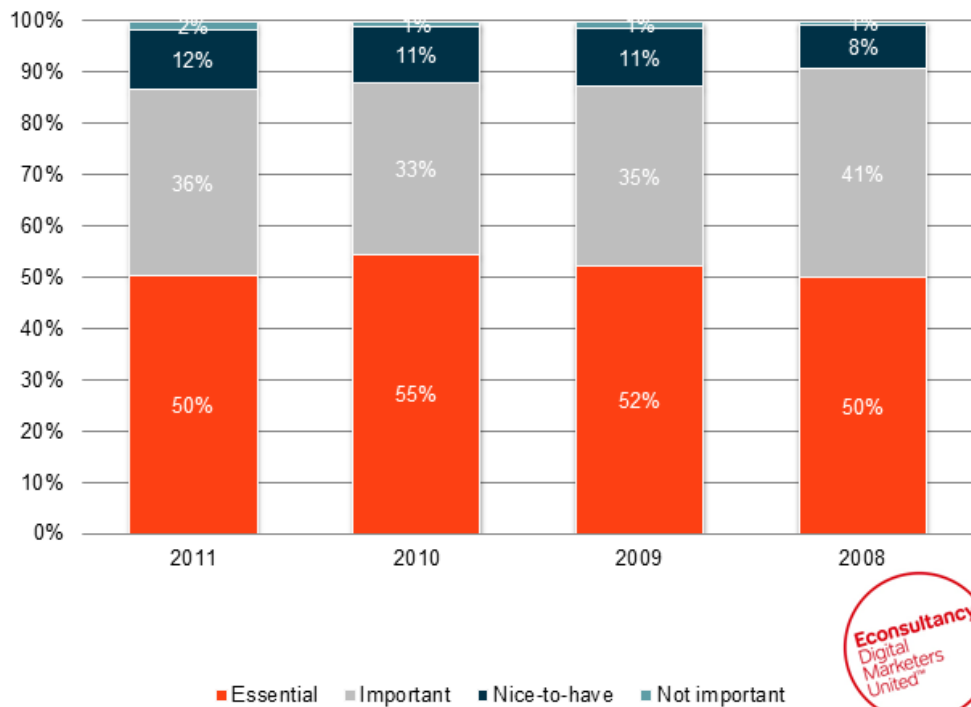
7.1.1. Importance of customer engagement to the organisation

Surprisingly, the proportion of client-side respondents who regard customer engagement as “essential” has decreased from 55% last year to 50% this year, the same level as for the first Customer Engagement survey carried out four years ago.

Agency results [Figure 8] are slightly different, as the proportion of supply-side respondents who regard customer engagement as “essential” for their clients has increased to 57%, up from 55% last year.

Companies

Figure 7: How important is online customer engagement to your organisation?



Response: 318

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7.1.2. Attributes of an engaged customer

Similarly to last year, we asked respondents *which attributes of an engaged customer their organisations had benefited from most in the past 12 months*.

Recommendation of product, service or brand is still the type of behaviour that is most likely to have helped responding companies. However, as *Figure 10* shows, the proportion of companies who have seen benefits from this has decreased to 38%, down from 42% a year ago.

Voice of the expert – SAMPLE QUOTE

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Ian Jindal, Founder and Editor in Chief of Internet Retailing

7.1.3. Success of customer engagement strategy

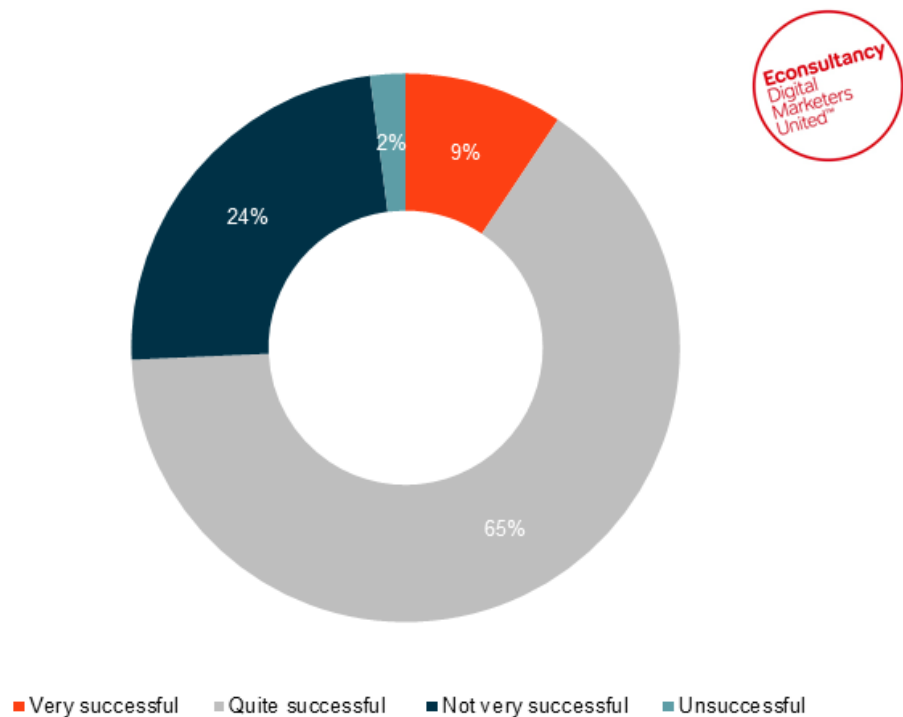
Encouragingly, just under three-quarters of client-side respondents (74%) consider that their customer engagement strategy is either “*very successful*” (9%) or “*quite successful*” (65%).

Moreover, the proportion of companies that have not been very successful in this respect has declined by 4% [Figure 14].

Agency results [Figure 15]...

Companies

Figure 13: How successful has your organisation’s customer engagement strategy (or initiatives) been in the past 12 months?



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7.2. Tactics, techniques and attitudes

7.2.1. Tactics for improving customer engagement

Email newsletters, presence on social networks and micro-blogging have maintained their position as the tactics most likely to result in improvement to companies' online customer engagement [Figure 17]. Just under three-quarters of client-side respondents (72%) indicate that email newsletters have resulted in a tangible, measurable improvement.

Voice of the expert – SAMPLE QUOTE

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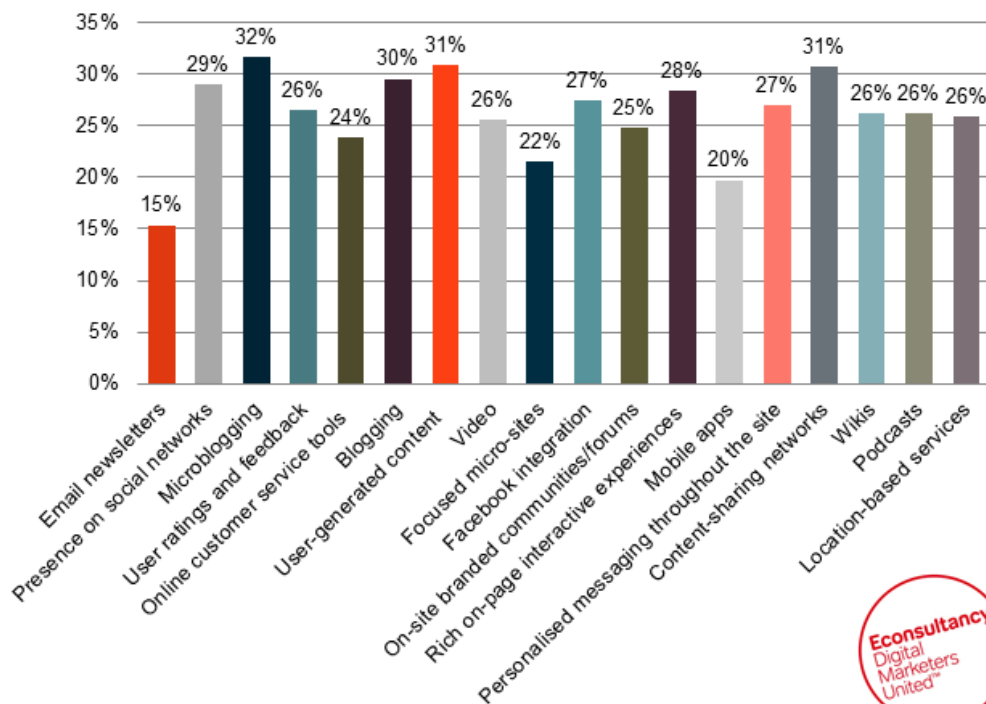
<http://econsultancy.com/reports/customer-engagement-report>

Jerry Michalski, Founder of the Relationship Economy eXpedition

Response: 271

Agencies

Figure 18: Which of the following tactics for driving customer engagement have your clients been unable to measure?



Response: 344



7.3. The social enterprise

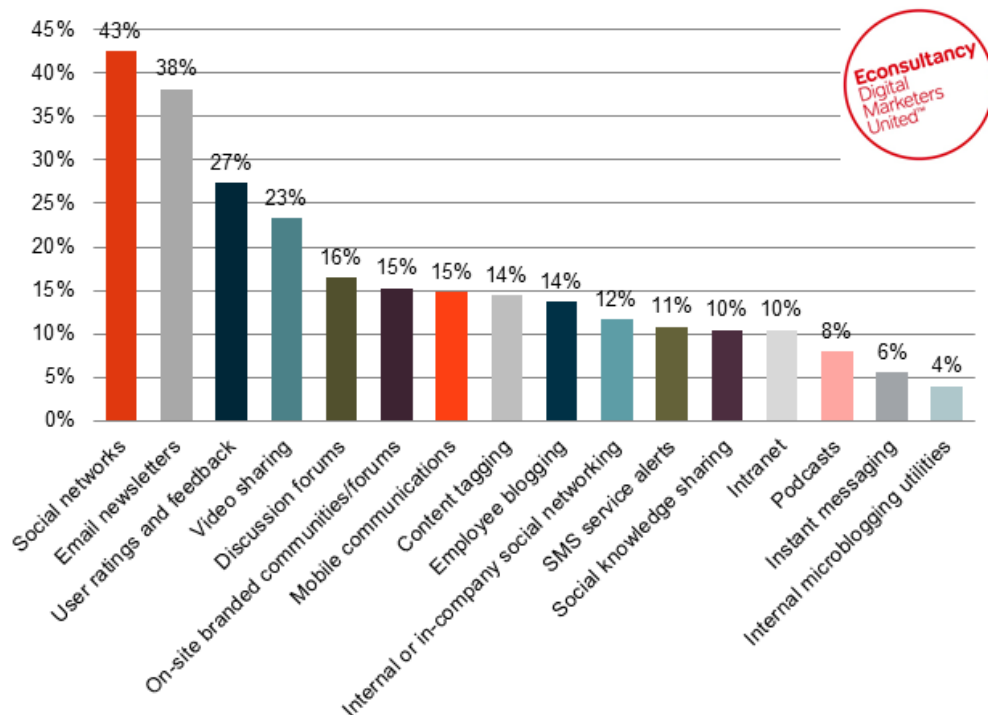
7.3.1. Adoption of technology for product development and innovation

As *Figure 29* shows, companies are using a wide range of features, channels and technologies for *product development and innovation*.

Compared to last year, *social networks* (43%) and *video sharing* (23%) are used by a significantly higher proportion of companies specifically for evolving products and innovating. Similarly, more companies are using *mobile communications* and *SMS service alerts* to feed into development.

Companies

Figure 29: Has your organisation adopted any of the following for product development and innovation?



Response: 249

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7.4. Mobile

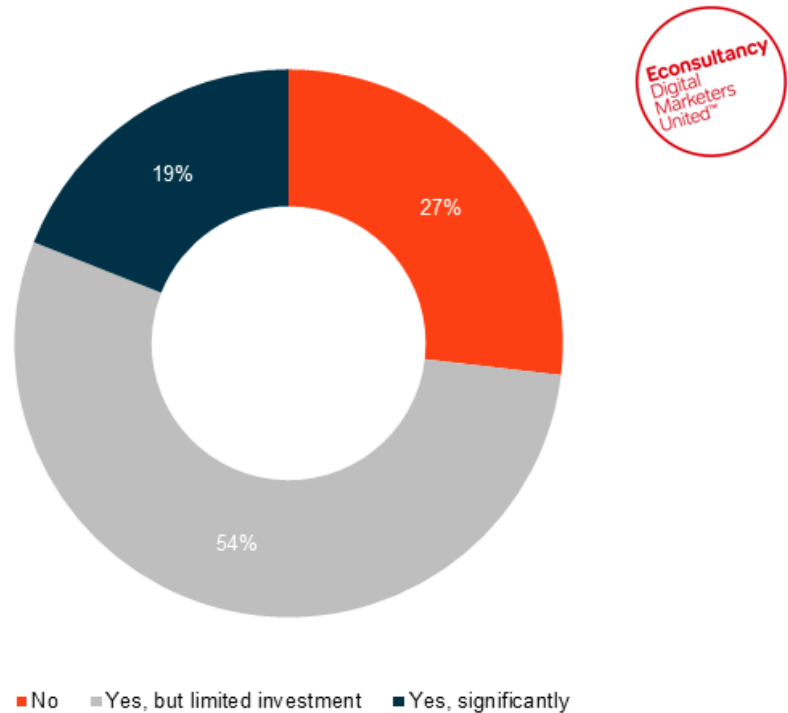
7.4.1. Investing in the mobile channel

As *Figure 43* shows, the vast majority of company respondents (73%) are planning to invest in the mobile channel in 2011, an increase of 13% since last year when 60% planned investment.

However, less than a fifth of client-side respondents (19%) are planning to invest “significantly”.

Companies

Figure 43: Do you plan to invest in the mobile channel in 2011?



Response: 249

Voice of the expert – SAMPLE QUOTE

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Bruno Ancona Lopes, CEO of Foreplay – a digital engagement agency based in São Paulo, Brazil



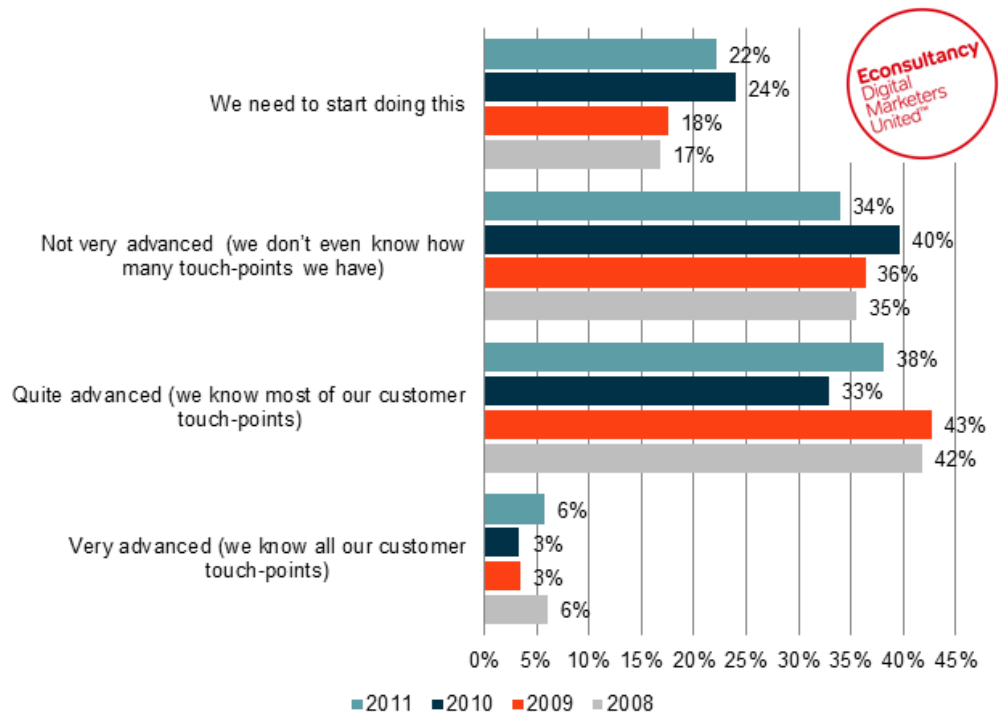
7.5. Mapping and measurement

7.5.1. Mapping customer experience to gain a single view of the customer

Mapping customer experiences across various touch points can help organisations identify which interactions are likely to affect customer loyalty and their relationship with the brand.

Companies

Figure 53: How advanced are you at mapping customer experiences to obtain a single view of the customer?



Response: 254

Response: 307

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7.5.2. Methods of gathering customer intelligence

Figure 55 shows the most useful methods used by companies to gather customer intelligence in the context of customer engagement. Respondents could check up to three options. More than half of responding companies (57%) say they have found *web analytics* to be one of the three most useful methods for engaging their customers online.

Voice of the expert – SAMPLE QUOTE

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Jim Sterne, Co-founder of the Web Analytics Association

