

A Forrester Consulting Thought Leadership Paper Commissioned By Dell

Listening And Engaging In The Digital Marketing Age

Companies Progress Their Customer-Centric Approaches And See Positive Business Outcomes

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FORRESTER

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Executive Summary

Today, an increasing percentage of business-to-business (B2B) and business-to-consumer (B2C) customers are empowered to use a variety of social technologies to help them make complex purchasing decisions. This new age of empowerment has altered the way many companies are now approaching customer-centricity. Companies are learning how to effectively listen to their customers by empowering their employees to utilize various social media tactics in their marketing mix. These social media tactics have helped companies build deeper engagements with their customers by allowing them to monitor, measure and participate in online conversations. Companies also experience derivative benefits from their listening and digital engagement efforts as they achieve organizational efficiencies from embedding these activities in their marketing, customer service, and sales functions.

Companies are evolving their approaches to customer centricity by implementing listening and digital engagement initiatives

In June 2011, Dell commissioned Forrester Consulting to evaluate and articulate how effectively companies listen and engage online with their customers. Forrester also analyzed the ways these initiatives are impacting companies' internal processes performance metrics.

In conducting in-depth surveys with 200 US-based marketers at medium and large companies, Forrester found that organizations across various industries that have implemented listening and digital engagement initiatives are starting to see impressive business returns. According to this study, many companies are progressing their social media efforts, which are beginning to deliver solid quantitative and qualitative business results. Organizations can increase the value and efficiency of their existing social media efforts by evolving their approaches to customer-centricity and by implementing listening and digital engagement initiatives that empower them to engage online with customers through their marketing efforts.

Key Findings

Forrester's study yielded the following key findings about companies' listening and digital engagement initiatives:

- **Initiatives have high corporate value.** The information collected by these initiatives is used to create strategies and programs across all areas of the organization. Data from listening and engagement initiatives have high corporate value, as the intelligence they provide enables functions to incorporate additional, and in some cases real-time, customer feedback into internal processes.
- **Social media gains significant ground.** Although companies utilize a wide range of traditional and nontraditional tactics to listen to customers, social media has gained significant ground and in some cases has surpassed traditional methods. Companies continue to focus efforts in their social media strategies and include social media reach objectives in their key performance indicators (KPIs).

"I believe the greatest benefit has been that our customers who use social media and interact with our efforts see us as a more progressive company because we are using multiple channels for communicating." (Marketer at enterprise banking company)

- **There is opportunity to maximize business returns.** Despite evidence that companies and customers are experiencing business benefits from listening and digital engagement initiatives, there is still room for improvement if companies want to reap full potential returns. Many companies have challenges to overcome, such as measuring customer insights and tying initiatives to corporate objectives, before they can fully optimize efforts and maximize results.

“For now (the benefit is) just visibility, but we are hoping our digital engagement strategy will drive real business impact over the next two years.” (Marketer at enterprise retail company)

“We are still at the early stages of our listening and digital engagement activities. The greatest benefit to date has been the evolution of our listen/act framework to assure we are understanding customer preferences, issues, and concerns and taking action.” (Marketer at enterprise manufacturing company)

- **Industries utilize unique approaches.** This study focused on three key industries: utilities and banking services (UBS), media, entertainment, and leisure, and high technology and found distinct differences in how they are using listening as a way to engage with and drive value to customers. UBS organizations focus their social media efforts on customer service, while media, entertainment, and leisure companies focus on reach, and high technology companies focus on demand generation.
- **Companies are increasing investment.** Overall, companies are increasing or planning to increase headcount and budget allocated to listening and digital engagement initiatives, indicating the high influence these initiatives have on corporate social media strategies that deliver value to customers.
- **Companies are creating deeper engagements.** Companies are moving beyond simply measuring and monitoring customer conversations. 64% of respondents indicate that they are incorporating customer ideas into process or product improvements and other companies are creating even deeper engagements through custom communities and incentive programs.

The Shift To Customer Centricity Is Real And Permanent

The idea of customer centricity is nothing new. Since Wroe Alderson and others first suggested, 50 years ago, that business should organize around customers and their needs, multiple approaches for achieving customer centricity have come and gone, all failing to produce lasting results. The reasons behind these failures are almost as numerous as the management books promising simple schemes to achieve customer-centric nirvana: relentless pursuit of shorter-term financial results, lack of power in marketing functions, and inability to scale engagement models centered on customers, to name a few.

But something is changing in today's markets, something that won't abide business fads or failure to act. Social media is providing customers the opportunity to lean on each other for market-making and utilization insight, effectively diminishing traditional, supplier-centric information pathways. Today, social media sources of information are used by more than 70% of B2B decision-makers, a figure that will only increase as social tooling improves, social media adoption escalates, and more customers are empowered to connect and collaborate when facing complex decisions.

Against this backdrop of change, too many companies continue to ignore the impact of empowered customers, treating social media technology and how it generates new market powers for customers as temporary. Indeed, according to Forrester's research, while more than 80% of marketers monitor customer comments and conversations online, only 20% of companies today organize marketing efforts around customer-centric social media strategies. This disparity will not continue. While the full measure of social media's impact on business will play out over the years, companies that stay abreast of customers' social media adoption will enjoy superior results now and be better positioned in the future as further customer-centric changes unfold.

Where to start? As suppliers sort out social media-related change, two suggestions become obvious. First, companies need to be able to listen to customers online, dipping into the conversations between peers that are most catalyzing market change. Second, companies should place a premium on social strategies that can generate immediate returns and set the stage for future returns.

By taking a closer look at how companies currently use listening and digital engagement initiatives as part of their overall social media strategy, one gets a clearer picture of the level of progress they have made with each of these steps.

Listening And Digital Engagement Initiatives Reflect Progress

Companies have evolved their customer-centric approaches over time by implementing social media strategies that increase the level and quality of engagements. Social media has empowered organizations to emphasize interactions that drive business outcomes, instead of simply pushing out new product features hoping they will meet customers' needs. Listening and digital engagement initiatives play a critical role in this evolution by providing the data and analysis required to create strategies based on customers' preferences. As a result, marketers have taken action as they incorporate tools, processes, and resources to support these efforts.

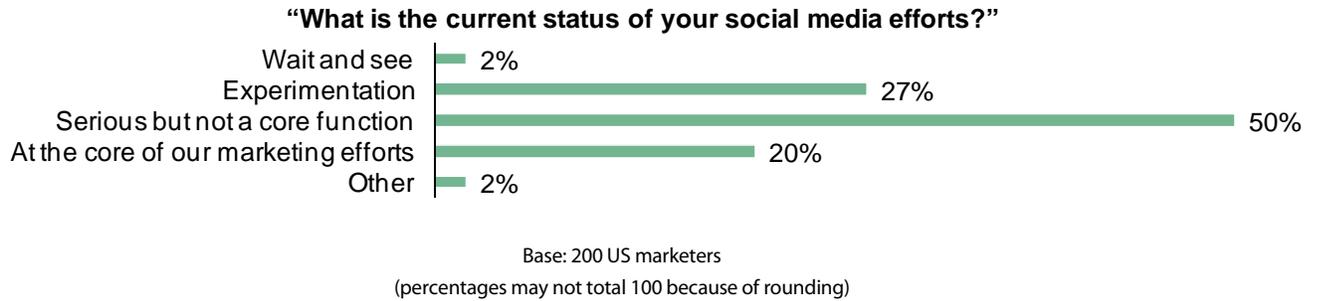
"[The greatest benefit of listening and digital engagement initiatives is] moving the relationship with the customer from product-based to relationship-based." (Marketer at enterprise telecommunications company)

Forrester defines listening and digital engagement initiatives as programs that utilize social media to monitor, measure, and respond to customer conversations and feedback online.

More than 80% of the marketers who responded to this survey monitor customer comments and conversations online, revealing that:

- **Companies have become serious about their social media efforts.** Nearly all respondents (97%) indicated that they have adopted social media tactics, and 50% claim that although not a core function, they are serious about their social media efforts. Companies have moved past the "wait and see" and "experimentation phase," reflecting that they understand the important role social media technology plays as an information source their buyers turn to when making purchasing decisions. Ninety-seven percent of respondents indicate that they have adopted social media tactics, while 50% of marketers claim that although not a core function, they are serious about their social media efforts (see Figure 1).

Figure 1
Companies Are Growing More Serious With Their Social Media Efforts



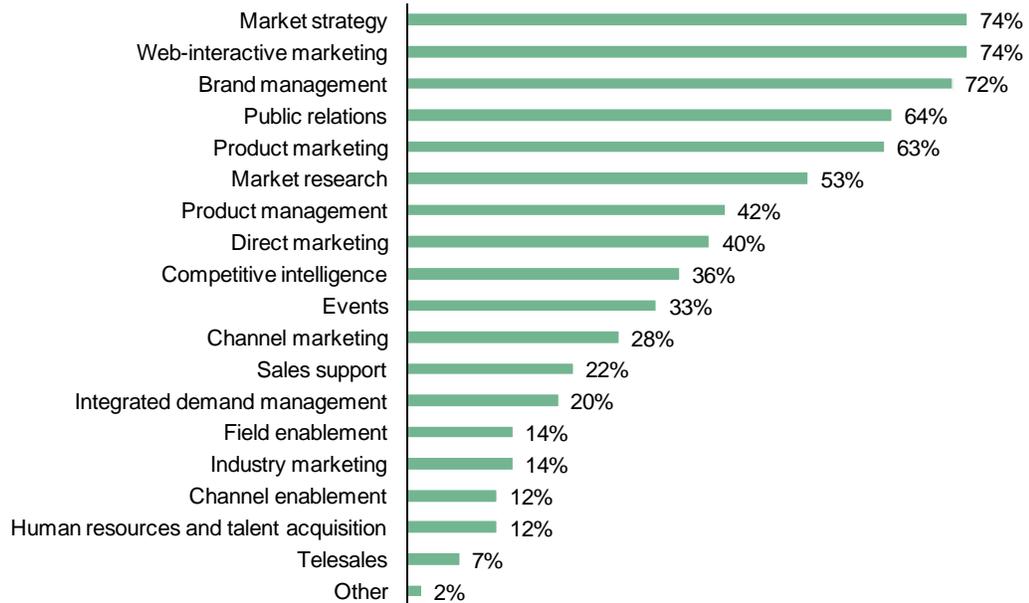
Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

- **Initiatives influence all corporate functions.** Listening and digital engagement initiatives have permeated all areas of the organization, reflecting the high value that has been placed on the intelligence that is generated from monitoring and measuring online conversations. Each of the 19 corporate functions called out in the survey creates strategies based on the data they receive from listening and engagement initiatives (see Figure 2).

Figure 2

Listening And Engagement Initiatives Influence All Corporate Functions

“Which of these functions create strategies and programs based on information obtained from listening and digital engagement initiatives? (e.g., use data, set strategy, set resources, etc.)”



Base: 200 US marketers
(multiple responses accepted)

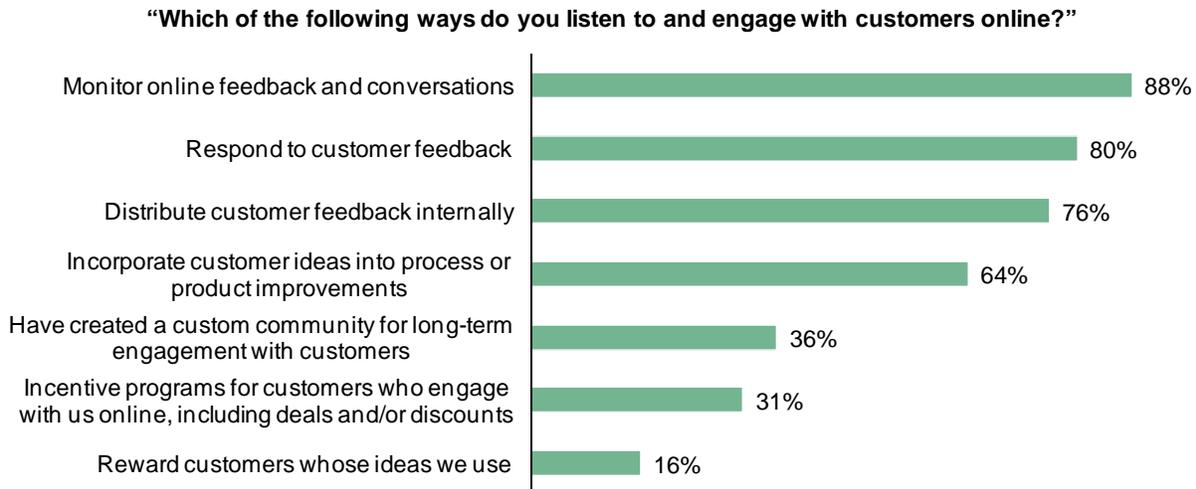
Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

- **Companies are creating deeper engagements.** Companies are moving beyond simply measuring and monitoring customer conversations. Sixty-four percent of respondents indicate that they are incorporating customer ideas into process or product improvements, and other companies are creating even deeper engagements through custom communities and incentive programs (see Figure 3).

“[Listening initiatives] . . . raise awareness that we need to be present in the channels that our customers are; enhanced customer engagement drives incremental sales we would not have otherwise seen.” (Marketer at enterprise manufacturing company)

Figure 3

Companies Experience Many Benefits From Listening And Engagement Initiatives



Base: 200 US marketers
(multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

- **Popular social media networks surpass traditional tactics.** Marketers have begun to fully embrace social networks as a listening and engagement tactic. The current use of social media networks has surpassed some traditional marketing tactics, including phone interactions and in-person events.

“By using social media for marketing, this illustrates that our company is a leader in both technology and the practical use of social media technology to reach out to the market. This establishes our brand as a lean and progressive company.” (Marketer at enterprise manufacturing company)

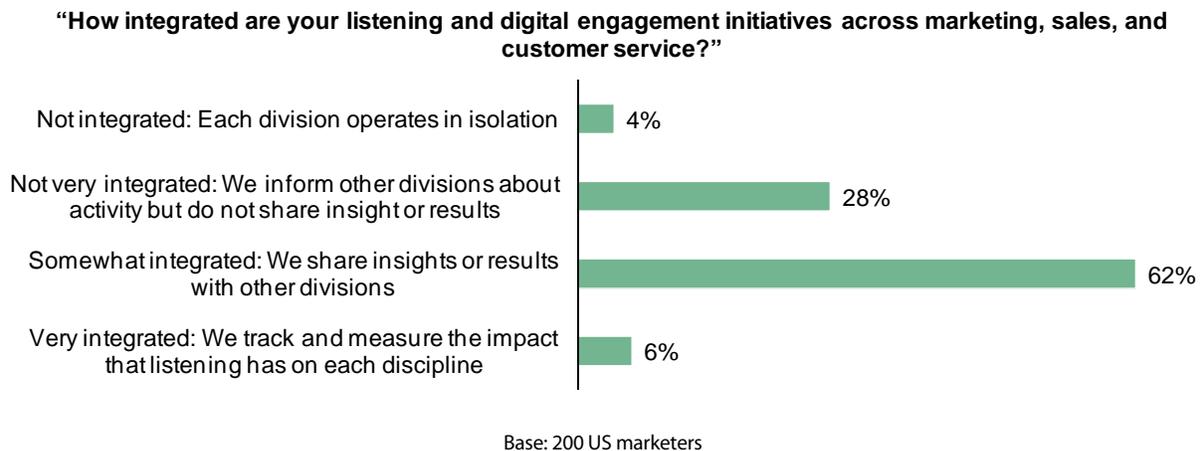
Integration Will Be The Catalyst For Reinvention

While nearly all of the respondents surveyed have adopted social media tactics, only 20% of respondents claim that social media is at the core of their marketing efforts, leaving room for improvement if companies want to be better positioned to reap the potential returns from their listening and digital engagement strategies. Many companies have some challenges to overcome before they can optimize their efforts and maximize their results. These challenges show that:

- **Insights are shared but not measured.** While more than 90% of companies are sharing information with other internal divisions, they are not measuring impact across each discipline. Only 6% of respondents claim that their companies’ listening and digital engagement initiatives are very integrated (see Figure 4).

- **Initiatives are often not tied to corporate objectives.** Listening and engagement initiatives are mostly emphasized at the business unit level, instead of the corporate level. Although 22% of respondents indicate that they embed efforts into their marketing, sales, and support processes, only 8% of respondents claim that these efforts are tied to corporate objectives. In addition, only 8% of respondents indicate that their companies have a formal reward program for employees who drive listening and engagement initiatives (see Figure 5).
- **Resource availability for advancement.** Although collectively, companies are increasing investment in listening and engagement initiatives, it may not be enough for some of them to fully execute their objectives. Availability of budget and headcount required for deployment are top internal challenges. Companies also struggle with deploying programs across multiple channels such as mobile, Web, and email (see Figure 6).

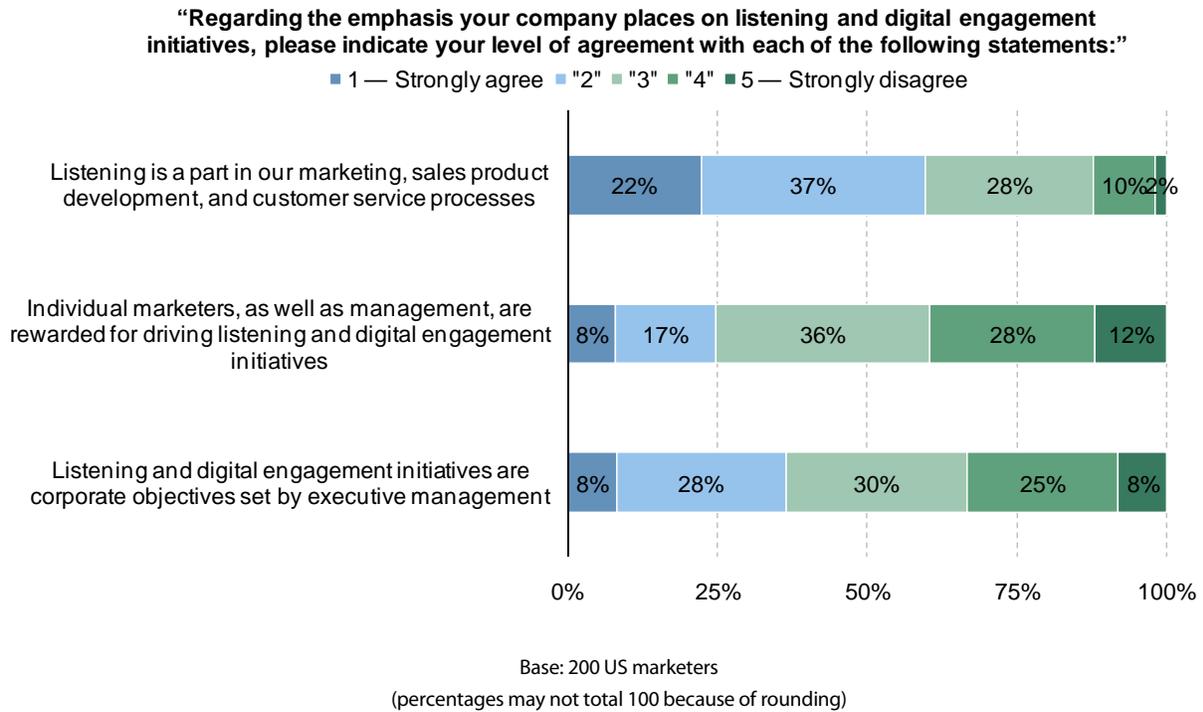
Figure 4Companies Have Not Fully Integrated Their Listening And Digital Engagement Efforts



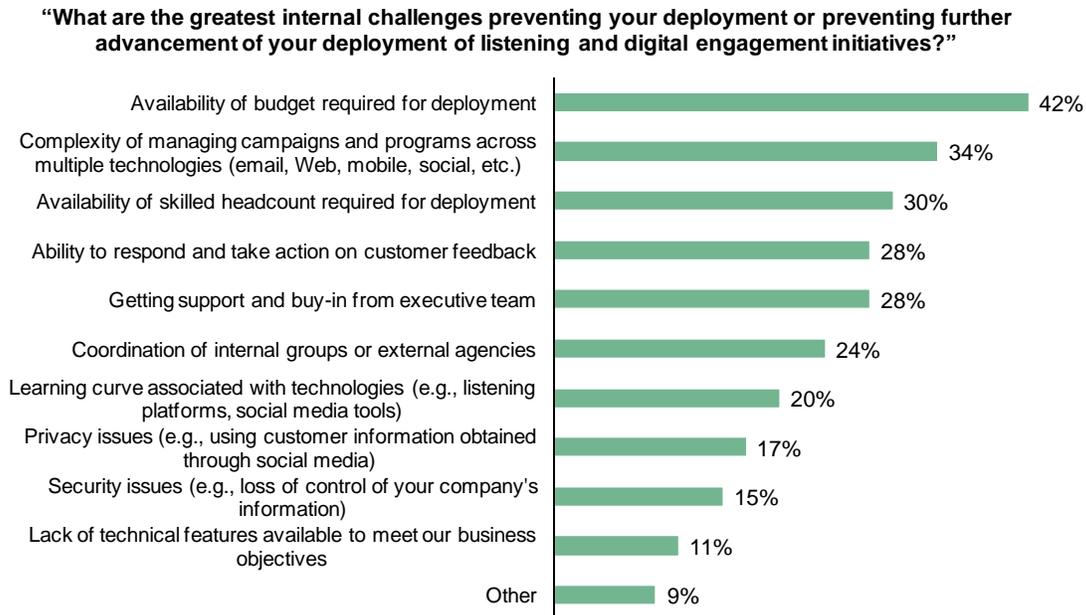
Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Figure 5

Listening And Digital Engagement Initiatives Are Mostly Emphasized At The Business Unit Level



Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Figure 6**Resource Availability And Technical Complexity Are Hurdles For Advancement**

Base: 200 US marketers
(multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Companies With Sharp Focus Will Lead The Digital Marketing Age

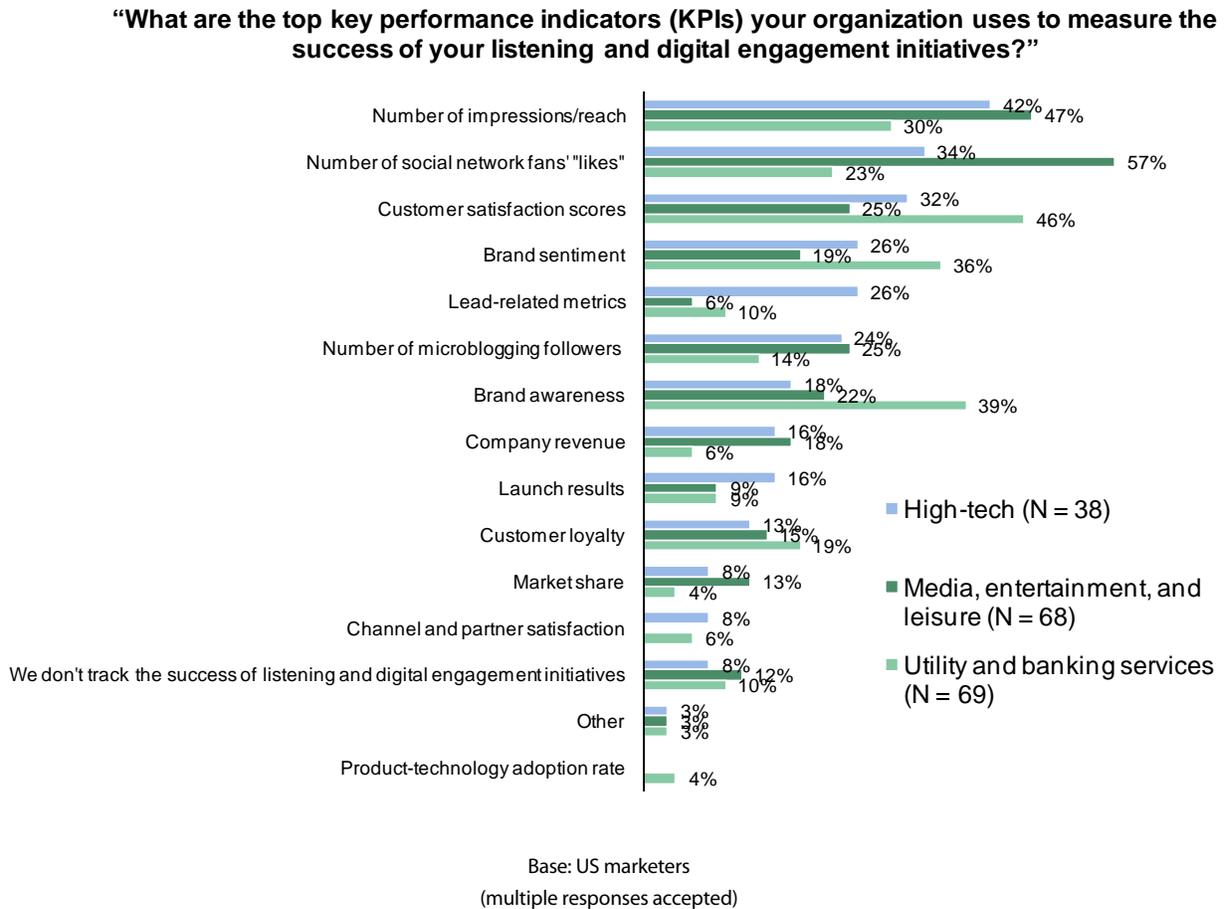
A growing number of companies are optimizing their listening and digital engagement efforts as they proactively listen, intercept, respond, and take action to customer conversations. These companies will be the leaders in the digital marketing age as they focus their efforts on social strategies that impact return on investment (ROI) and customer business outcomes.

Ideally, a formal corporate listening and engagement initiative will have the following components:

- **KPIs that measure customer centricity.** Companies use a multitude of metrics to track the effectiveness of their listening and engagement initiatives, including those that measure customer centricity and business returns. Respondents from a variety of industries indicate that they are measuring direct business outcomes of these initiatives through customer satisfaction and revenue KPIs, in addition to quantity metrics such as impressions and reach (see Figure 7).

“[The benefit of listening and engagement is the] immediate response to customers’ problems and needs around our products. The immediacy of digital is what is driving better brand loyalty and image.”
 (Marketer at enterprise banking company)

Figure 7
 Companies Set Customer KPIs To Measure Success



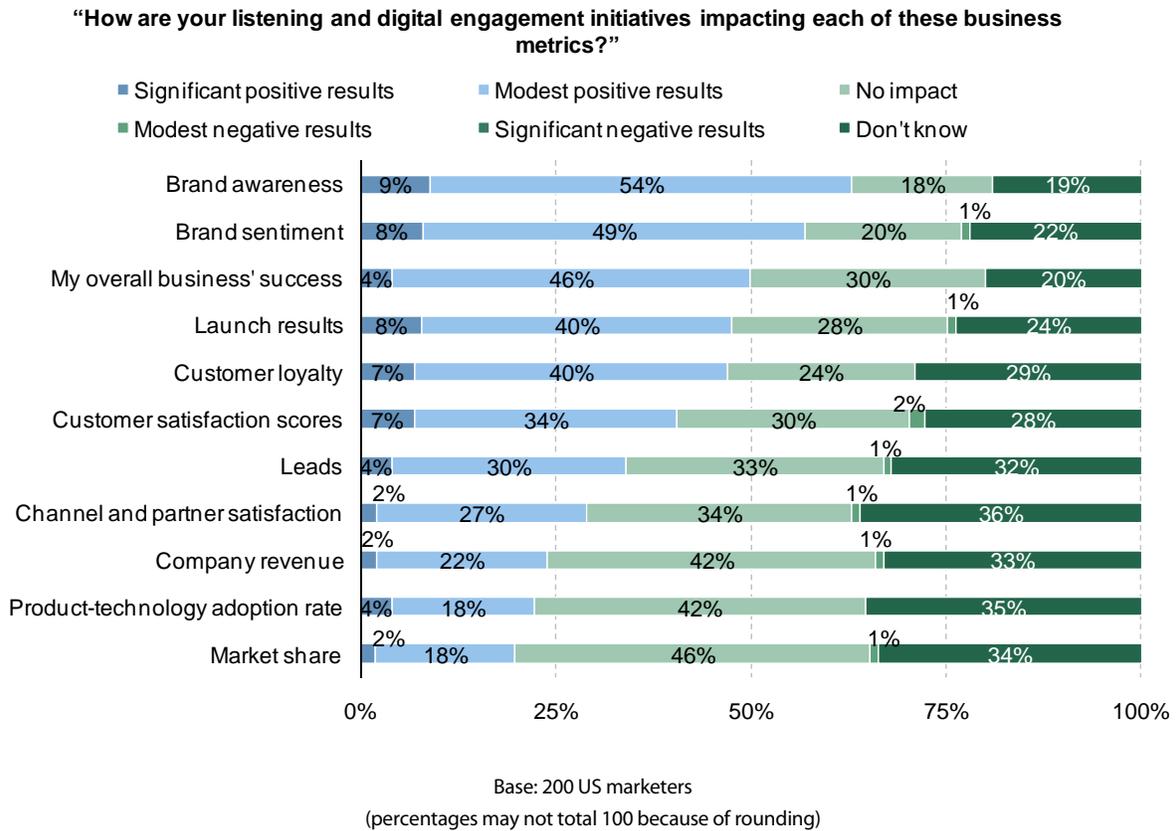
Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

- Initiatives that impact customer metrics.** Listening and digital engagement initiatives still have the greatest impact on corporate brand metrics; however, respondents have indicated that they are also seeing positive results on customer-centric metrics. Fourteen percent indicate they are seeing significant positive results on metrics, such as satisfaction scores and loyalty (see Figure 8).

Furthermore, respondents indicate that listening and digital engagement initiatives help them in influencing customer perception, building customer engagement, and responding to customer feedback, another sign that their efforts are leading to higher levels of customer centricity (see Figure 9).

“[Our listening and engagement initiative] has greatly helped in creating a sincere and value-added dialogue with customers, especially in the long-tail customer base, which tends to yield greater margin.”
 (Marketer at midsize manufacturing company)

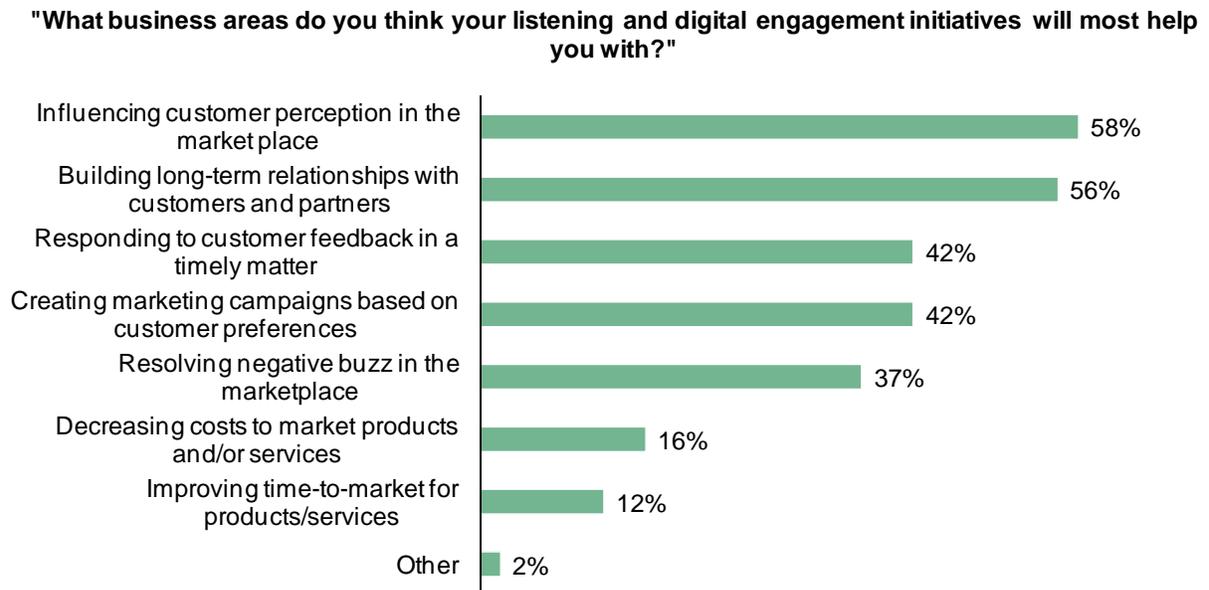
Figure 8
 Companies See Positive Results On Customer Metrics From Their Listening And Digital Engagement Initiatives



Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Figure 9

Listening And Digital Engagement Initiatives Help Mostly With Customer Perception And Engagements



Base: 200 US marketers
(multiple responses accepted)

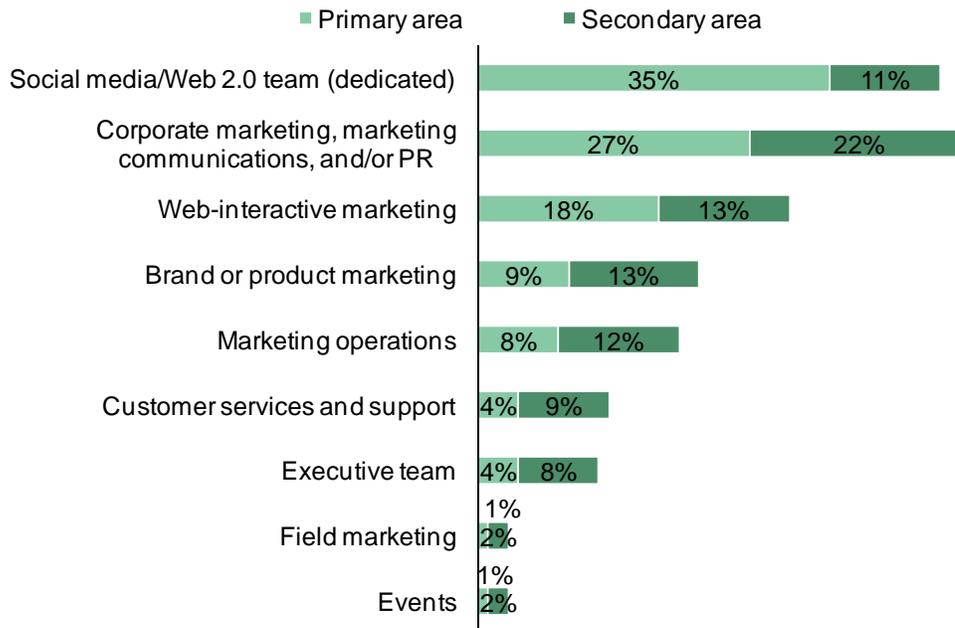
Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

- **Customer systems that directly receive information.** Companies are collecting data from their social media platforms and feeding it directly into internal customer service systems and processes, which in turn, is influencing their strategies for customer engagements. Fifty percent of respondents indicate that their customer resolution system receives information from listening and engagement initiatives.
- **Resources that are fully dedicated to efforts.** Companies plan to increase resources for efforts and also need to ensure that they have the appropriate functions in place for implementation. Although corporate brand departments are primarily used for setting strategy, it is the dedicated social media/Web 2.0 teams that are responsible for implementation (see Figure 10).

Figure 10

Dedicated Social Media Teams Set Strategy For Deployed Initiatives

“Regarding your approach to listening and digital engagement, which of the following functional areas has primary responsibility for setting strategy for these initiatives? Please rank up to two.”



Base: 98 US marketers that have already implemented a formal listening and engagement initiative

Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Industries Use Unique Practices For Listening And Engagement

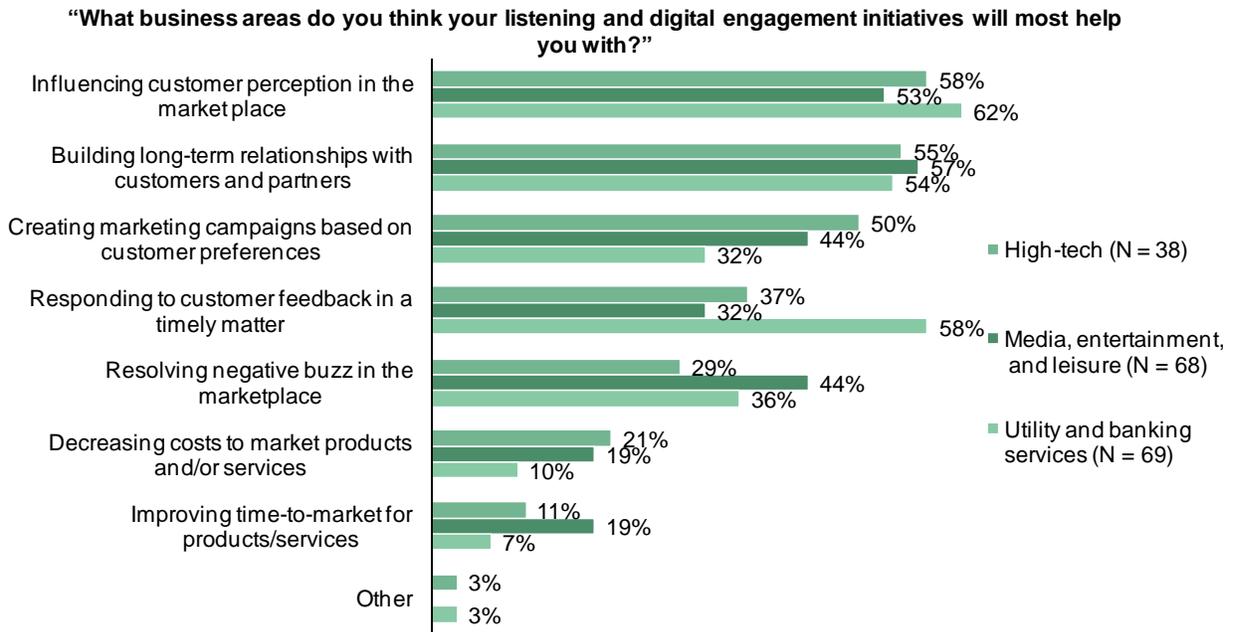
B2B and B2C companies in the high-tech, media/entertainment/leisure, and utility and banking services industries all use listening as a way to engage with customers, yet their approaches are quite different and are impacted by where they are on the social media adoption curve. Companies in these industries are establishing best practices as they optimize their listening and engagement efforts. The survey results reveal unique characteristics for each industry, for example:

- Utilities and banking services (UBS) focus their efforts on customer service.** UBS companies are behind high-tech and media, entertainment, and leisure industries in terms of listening and digital engagement adoption and investment due to their conservative approaches with customer engagement, as well as security and privacy issues. UBS companies use listening and digital engagement initiatives primarily as a way to respond to customer feedback quickly and drive brand awareness (see Figure 11). Customer satisfaction scores are also used more in UBS than in other industries (see Figure 7). Security and privacy issues are a greater challenge for utility and banking services than high-tech and

media/entertainment/leisure companies in terms of advancing their listening and digital engagement initiatives (see Figure 12).

- **Media, entertainment, and leisure companies focus their efforts on reach.** Companies in the media, entertainment, and leisure industries are further along the adoption curve, primarily deploying social media strategies to reach wide audiences. Reach KPIs, such as impressions and social network fans' "likes," matter more to media, entertainment, and leisure companies for their listening and digital engagement initiatives than in the other industries. Media, entertainment, and leisure companies are also more likely to use customer incentive programs than high-tech or utility and banking services companies (see Figure 13). These expensive strategies are an inhibitor to companies' advancement of their social media strategies, with 57% of respondents in the media/entertainment/leisure industries indicating that availability of budget required for deployment is a major internal challenge (see Figure 12).
- **High-technology companies focus their efforts on demand generation.** By integrating social media programs with demand management at nearly double the rate (39%) as media, entertainment, and leisure industries (21%), and more than one and a half times that of utility and banking services (14%), high-tech companies show that they are farther along the social media adoption curve. Lead-related metrics matter more in high-tech than in the other industries, again reinforcing that high-tech companies are using real business returns to measure results. High-tech companies' biggest hurdle to advance their listening and engagement initiatives is the complexity of integrating their programs across multiple technologies (see Figure 12). This again reflects that high-tech companies are further along the adoption curve, as they stumble upon new challenges associated with being social media pioneers.

Figure 11
Industry Use Of Listening And Digital Engagement Initiatives

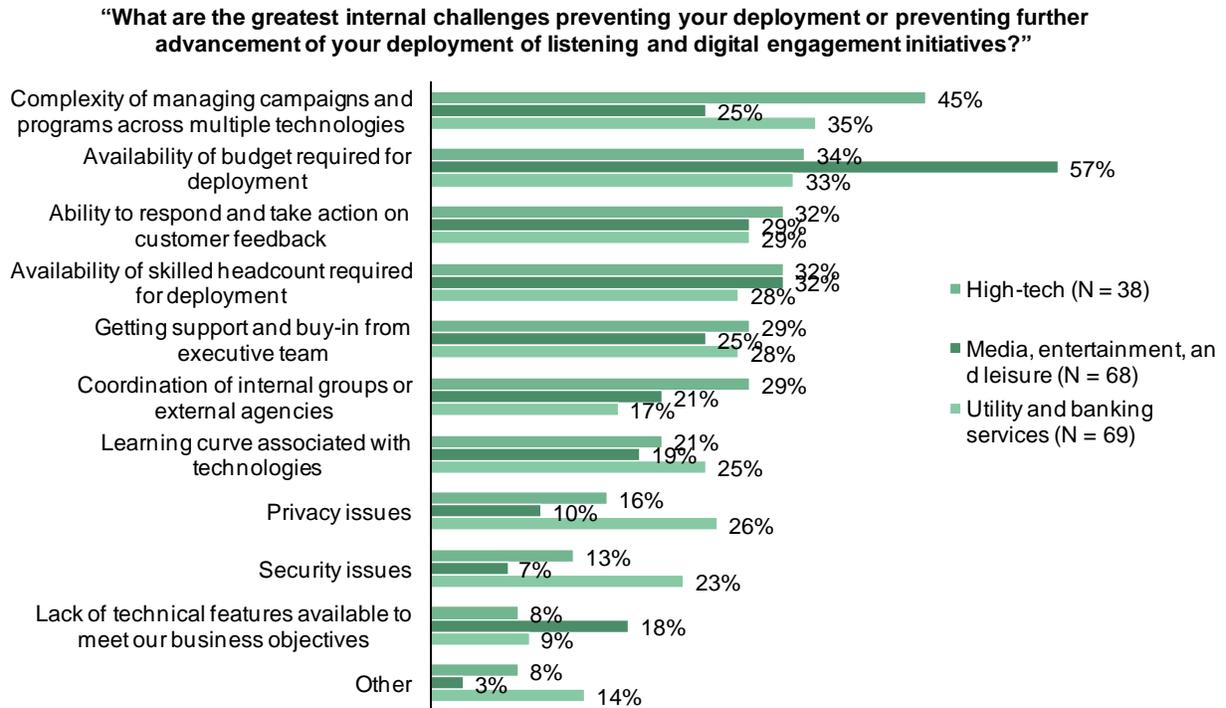


Base: US marketers
(multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Figure 12

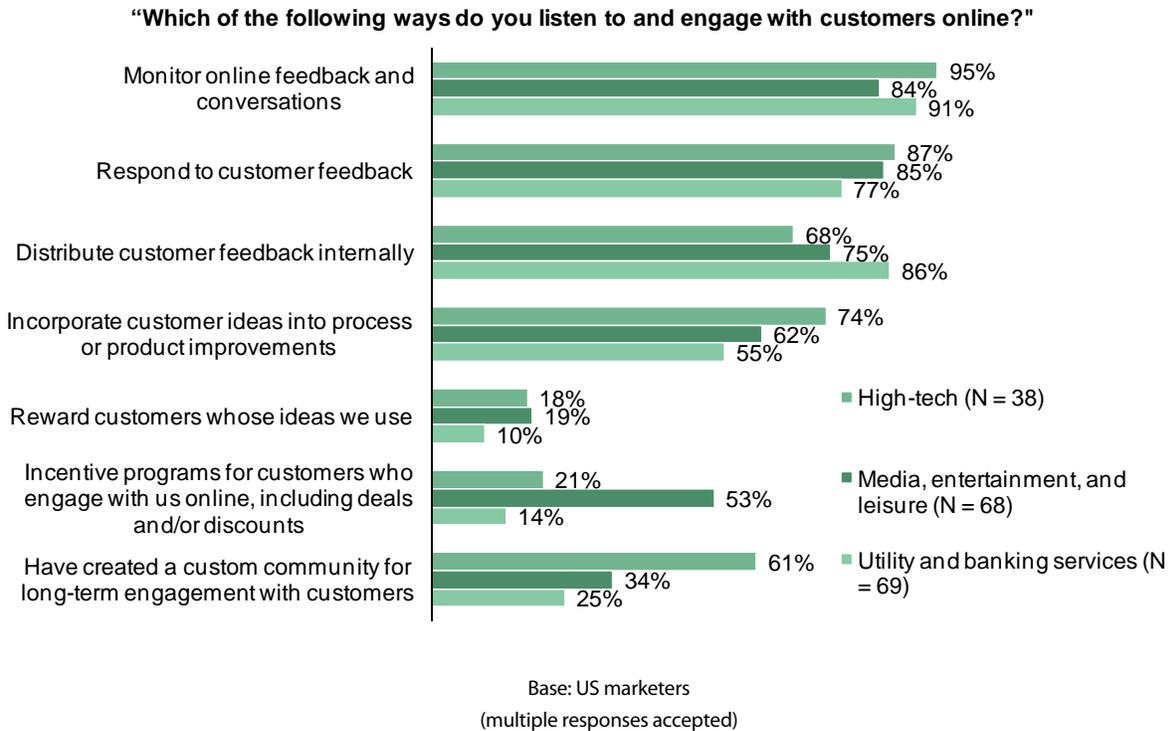
Industry Internal Challenges In Listening And Digital Engagement Initiatives



Base: US marketers
(multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Figure 13
Ways In Which Industries Listen And Engage With Customers



Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

KEY RECOMMENDATIONS

Customer-centric approaches will become even more imperative as customers seek efficient engagements that drive tangible business outcomes from the companies they do business with. The good news is that many companies across various industries are headed in the right direction with their existing listening and digital engagement initiatives. Those who focus, improve, and extend their efforts on these initiatives will ultimately get ahead of the competition. Those that establish social media strategies that generate business returns will stand above the rest as leaders in the digital marketing age. Organizations can get there by focusing on the following:

- **Executive-sponsored programs.** Initiatives that have executive sponsorships and are tied to corporate objectives are more likely to successfully permeate throughout the corporation and gain the visibility, focus, and attention required for optimal results.
- **Integration of functions, systems, and platforms.** Initiatives touch many horizontal and vertical functions, but integration is required to get the most ROI out of social media platforms and the internal systems and processes that utilize the data they produce. Companies that measure the impact listening has on each internal organization will be able to generate the “big picture” that their initiatives have on their business, which ultimately lead to customer benefits.
- **Employee empowerment.** Empower employees by providing them the education, tools, and resources they require to listen and engage with customers in their day-to-day roles. Training programs are effective in providing employees with guidance and best practices to ensure consistency in employees’ approaches to listening and engaging with customers.
- **Dedicated resources.** The complexity required to implement corporate social media strategies requires a dedicated team that fully understands how to get the most out of listening platforms and how to integrate them with internal systems and processes. Once social media strategies are fully defined, implementation should be left to dedicated teams who can execute and measure results.

Appendix A: Methodology

In this study, Forrester surveyed 200 US marketers to evaluate how effectively companies listen and engage with their customers and how these initiatives impact internal processes, performance, and metrics. Survey participants included decision-makers and influencers in their organizations' listening and digital engagement initiatives. The study began in June 2011 and was completed in July 2011.

Appendix B: Supplemental Material

Related Forrester Research

Thanks to the groundswell, your customers now wield unprecedented power through social, mobile, and other technologies. A significant percentage of B2B and B2C customers are using social media technologies to gather information during their decision-making processes. Companies that empower their employees to listen and engage with customers by utilizing social media technologies will ultimately stand out in the digital marketing age. Your employees are already using these technologies to transform the way you do business. You can lead them or block them. It's your choice.

In Forrester's new book, *Empowered*, Forrester's own Josh Bernoff and Ted Schadler provide real-world examples of how innovative leaders — and their teams — use technology to solve customer problems. We call them HEROes — highly empowered and resourceful operatives.

As you'd expect from Forrester and the co-author of the best-selling book *Groundswell*, this book is full of tools and hard data. *Empowered* includes:

- The four-step IDEA process to transform your customer-facing service, marketing, and mobile applications.
- Ways your IT department can become the trusted partner for your company's employee- and business-led technology innovation.
- The key techniques for collaboration systems that take off, instead of fizzling on the launch pad.
- Twenty-five case studies and dozens more examples from companies in every imaginable industry, from retail to business services.

If you're an IT, marketing and strategy, or tech industry leader wondering how to get more creative solutions out of your team, this book is for you.

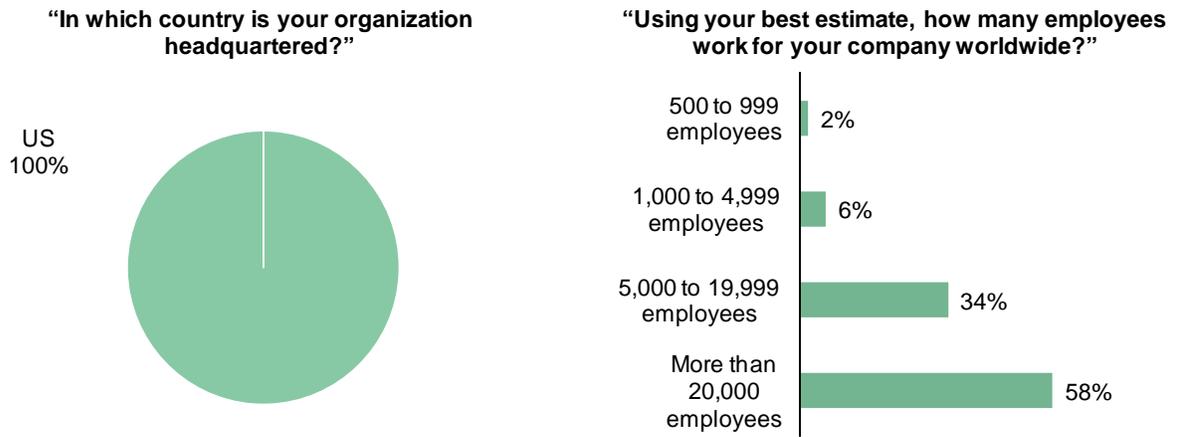
Online Resources

More information about *Empowered* is available at <http://www.forrester.com/empowered>.

Appendix C: Demographics

Figure C1

Region And Size

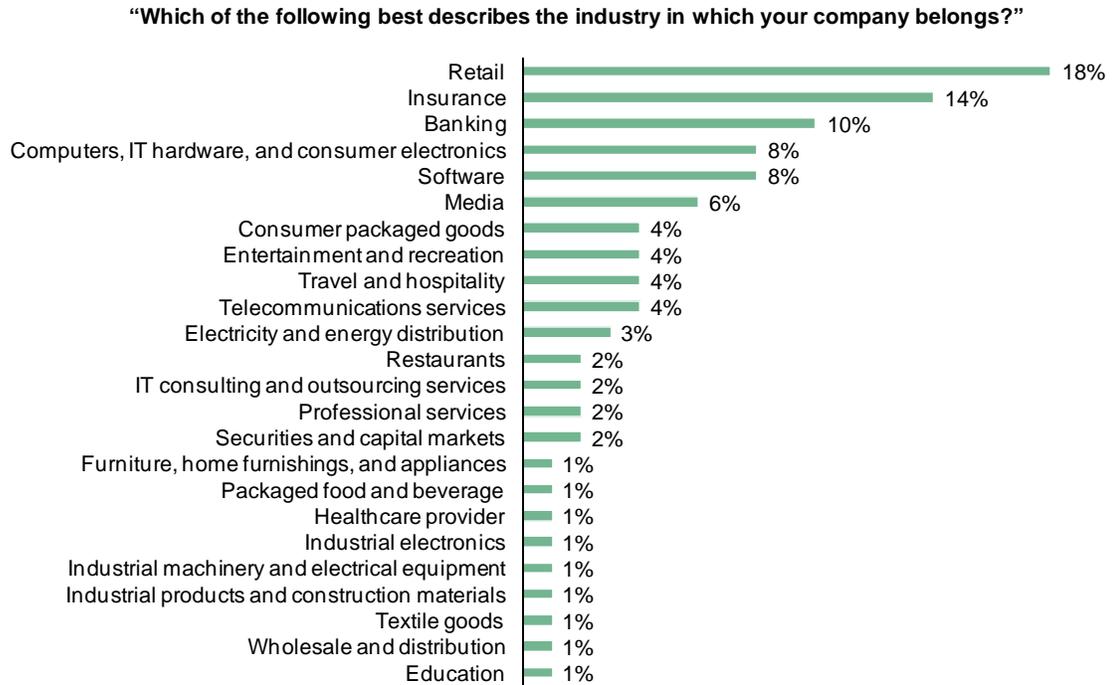


Base: 200 US marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Figure C2

Industry

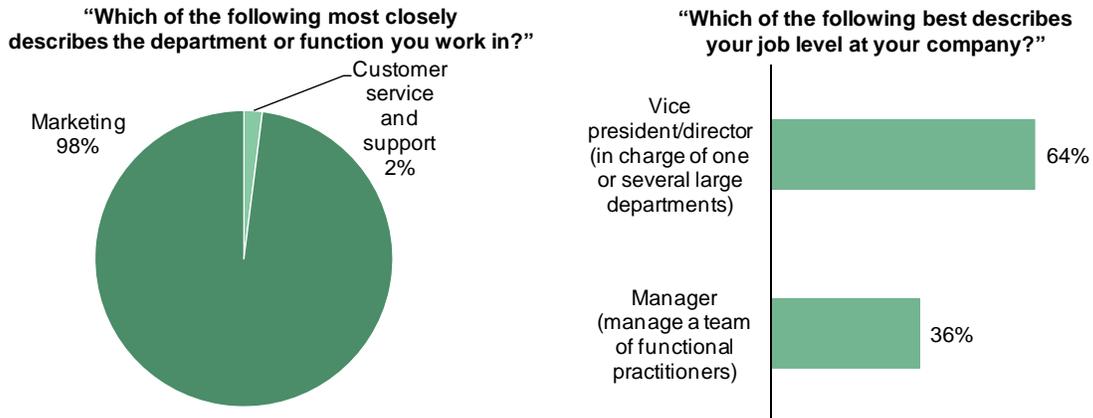


Base: 200 US marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Figure C3

Job Function And Job Level

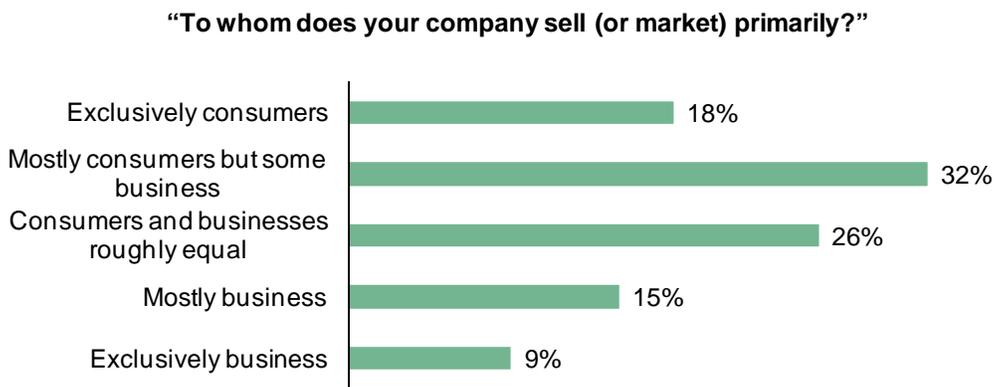


Base: 200 US marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Figure C4

B2B Versus B2C

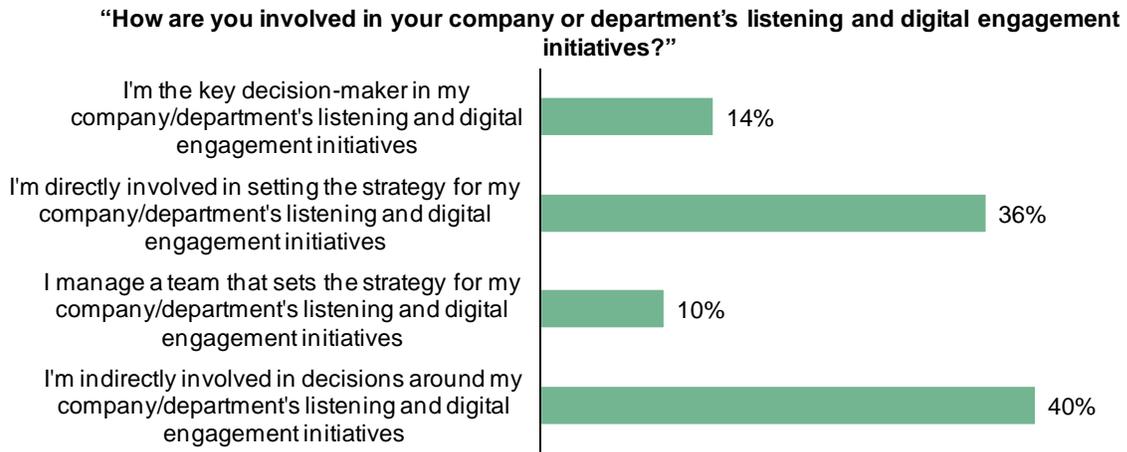


Base: 200 US marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011

Figure C5

Involvement In Listening And Digital Engagement Initiatives



Base: 200 US marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Dell, June 2011
