

## View Point



### Casting your Engagement Net

How to Sustain a Win-Win Dialogue with Customers

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#### Listen to your Customer

Not long ago, digital presence for most businesses meant a staid corporate website with the mandatory 'About Us', 'Mission Statement' and 'Products' sections. If customers, investors and other interested individuals wanted information, they had little option but to visit the corporate website to glean details from the data the company declared.

While the world of business was still working out effective ways of leveraging the Internet, along came Web 2.0 to change the game, with its bewildering array of social-networking sites, video-sharing forums, wikis, blogs, and mash-ups. Websites have become verbs and, from merely 'Googling', millions are now tweeting about products, digging articles, blogging about their user experience, creating communities on Facebook and LinkedIn - discussing, analyzing, supporting, critiquing, and sharing experiences about brands, products, services, practices, advertisements and businesses. These conversations, from the virtual world outside of the corporate microcosm, can decide the fate of an enterprise. The bottom line is that a company no longer entirely controls dissemination of information or projection of its image.

Awake to this new reality, many companies have realized that it will not suffice to offer their want-it-all customers merely high-quality products and the best possible service. While it may have been a key corporate objective earlier, today customer service is hygiene. The new path to nirvana is through customer engagement.

As customers become savvier, demanding and increasingly spoil for choices, their expectations are soaring. Businesses must find ways to meet these demands, or perish. To understand what makes their customers tick, enterprises must learn about their behavior, requirements, desires and motivations.

The digital medium allows companies to engage in a conversation with customers - who like being talked to and not talked at - listen to them, seek their suggestions, involve them in ideation, persuade them with credibility and constant dialogue, deliver greater value, and address their needs. This is the path to the Holy Grail: a relationship with sticky customers who evangelize both the business and its products.

## Net Effect: The Digital Consumer and the Smart Company

The digital macrocosm is a world of transformational opportunities for businesses. To leverage these opportunities, businesses must have a well-defined strategy, clear roadmap and the technology to get there.

It is in times of recession that the value of digital customer engagement is most apparent. With an enterprise's ability to grow constrained in tough economic times, digital customer engagement helps the business leverage an already existing network in response to market changes and customer requirements. Effective engagement provides a distinctive customer experience and adds value to the customer and the company without businesses making significant monetary investments - a bigger bang for the buck. The cost of engagement in such 'earned' (blogs, communities, forums, social networking sites) versus 'paid' (print or TV ads, banners, paid search) media is low while the value (both for companies and their customers) is high.

According to the 2011 Online Customer Engagement Survey Report

- Almost three-quarters of responding companies (74%) believe that their customer engagement strategy is either "very successful" or "quite successful"
- Email newsletters, presence on social networks and micro-blogging 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, on-site branded communities/forums and rich on-page interactive experiences
- More than half of companies (54%) are planning to invest in social media as a customer service channel
- The vast majority of company respondents (73%) are planning to invest in the mobile channel in 2011

Let us understand just why customer engagement is so vital to a company's growth.

### Rising Internet and Mobile Usage

All around the world, people are using the Internet as a first stop to communicate, gather information, and make transactions. And this usage is rising exponentially, not just in developed economies, but also in emerging and developing countries. As much as 30.2% of the world's population, or 2,095 million people are online – a rise of 480.4% from 2000 to 2011. (2)

### Changing Customer Behavior

As customers face the economic reality of a slow recovery, they are more conscious than ever of what they buy. They put in a lot of effort before they consume - researching products, comparing prices, and figuring in after-sales service. The rise of social media has given them a ready forum where they can learn, participate, express opinions on products and services, and influence peers before they progress to purchase.

More than a  
**FAD**

The popularity of social networking sites such as Facebook has a multiplier effect on engagement. Facebook, which has nearly doubled over the past year to 400 million active users, now ranks as the third most popular web brand. Just consider the domino-effect implications of this factoid: Of the 105 million Americans who participate in social media, seven million are considered heavy social media contributors: they participate in six or more activities and connect with at least 248 people on a one-to-many basis on a typical week.

These conversations relegate companies to the sidelines, for - like it or not - they take place with or without their participation. Entering these forums will work to companies' advantage: they can understand what their customers think, feel, want, and can therefore work to fulfill their near-insatiable needs. Companies cannot control the conversation, but they can leverage social media to steer perception, learn about customers, engage with them, and influence them.

The online opinion of a happy or a disgruntled customer must never be underestimated, for they can have a ripple effect, acting as brand ambassadors or haranguing detractors, making or breaking sales. Some 84% of Americans reported that online customer evaluations have an influence on their decision to purchase a product or service, according to an Opinion Research Corp. survey. (5) A JupiterResearch study found that 50% of blog readers say they find blogs useful for purchase information. (6) Take auto and travel-based purchases, for instance. According to a Compete Inc survey, 51% of auto and travel buyers turn to user-generated information / content to narrow their choice, 25% say that these sites influence their decision, and 24% change their mind about the type of vehicle/travel reservation they eventually buy. As many as 68% of buyers influence friends and family after the purchase. (7)

Thus, social media is where consumers hang out, interact and influence. In order to stay relevant and be heard, companies will need to go where the consumers are and not expect the consumers to come to them.

### Increasing Stakeholder Demands

The battered economy has made the corporate environment tougher than ever before. Intense competition, constricted credit, slow growth, and a crisis of confidence are shrinking margins to wafer-thin slices. Companies are operating in tough times, trying to increase earnings when money is hard to come by, costs are high, competition is fierce, and customers unforgiving.

In such a scenario, when marketing budgets are shrinking but the needs of business are not, companies need to get innovative to do more with less. The digital world can help businesses:

## CUT COSTS

The internet can be seen as a cost-effective channel, helping companies reach more customers with less expense, ensuring scalability and agility. According to a study that recently generated much interest, three-quarters of marketers had their budgets cut this year, and two-thirds were expected to drive more sales with an equal or lesser budget. Faced with smaller budgets, 70% marketers wanting to improve budgetary effectiveness without spending more have shifted to digital media. (11)

## DRIVE REVENUE

Creating a community of brand advocates doesn't just create a buzz but also helps drive sales and increase revenue. A Wetpaint and Altimeter study finds that engagement in social media pays off in terms of revenue. (12) Two years after launching a presence on Twitter, Dell reported that it surpassed \$3 million in sales using the site. More than \$2 million came from links to buy refurbished computers and electronics from the Dell Twitter account while the rest came from clients who followed links to buy a new Dell product. (13)

## ENHANCE CUSTOMER RELATIONSHIPS

Social media allow businesses to connect with their customers as never before. Since such media help businesses engage in a direct dialogue with the customer, businesses are much more likely to focus effectively on customer needs and grow a valuable, one-on-one relationship with the buyers (and influencers) of their products. According to a new survey from Russell Herder and Ethos Business Law, 81% US executives value social media very highly to enhance relationships with customers and build their brand. (14)

## ACCELERATE INNOVATION

Since today's customers are actively sharing ideas through social media, encouraging collaboration and integrating innovative insights ensures that companies meet their requirements in designing products and services that reach the market faster. The open innovation platform recruits customers as co-creators to fulfill their requirements and increase loyalty, 'doubling the rate of innovation without doubling the costs'. Companies such as P&G have been at the forefront of achieving this through customer co-creation and the results have been impressive – 60% R&D productivity, 35%+ innovations generated through co-creation.

## The Paradigm Shift

The days when a customer's only digital touch-point with a company was the corporate url are long past. As companies connect with customers by joining them in their space on their terms, they foster a holistic relationship of opportunity that gives returns to both parties in influence and investment. However, companies must shift their digital strategies to take advantage of the opportunities over the following areas:

SHIFT **1** PAID MEDIA CONTENT ▶ EARNED MEDIA CONTENT

Media channels are not alternatives, but complements, and a company's approach needs to be additive, not substitutive. Thus, even as companies continue investing in paid media, they cannot afford to miss the opportunities that participation in earned media brings. With customers living in a multi-channel environment, businesses need to engage with them across channels.

User Generated Content (UGC) is a key enabler for earned media. Industry research shows that there are measurable gains from adopting UGC. In a recent study, 52% of respondents indicated increased awareness and consideration of products and services; 43% indicated improved customer satisfaction; over 30% indicated lower marketing and support costs; 24% indicated accelerating time-to-market, among other benefits. (15)

SHIFT **2** DOMAIN-CENTRIC ▶ PERVASIVE WEB

A business' interaction with its customers cannot be confined to its domain on the Internet. Instead, as customers interact with their peers in social media sites across the internet, companies need to reach customers in an environment familiar to them to forge closer and more meaningful relationships. Companies have a ready willing market on sites like Facebook (over 400 million), Twitter (100 million) and YouTube (serving over 2 billion videos a day). These numbers are too large to be ignored.

Thus, leading brands such as Starbucks, Nike, Coca-Cola, Ford, and SAP are conversing with customers and would-be customers online. Surveys finds that companies that are active in a number of channels and show deeper engagement with customers deliver better financial results: 18% revenue growth and 15% gross margin growth for companies with highest levels of engagement and presence.

SHIFT

3

TRANSACTIONAL ECOMMERCE



WEB 2.0 COMMERCE

As customers influence the purchase decisions of their peers on social media channels, transactional eCommerce is becoming commonplace. Study after study shows that people are relying on opinions as they decide which product is better and what brand to buy, influenced by the consumer experiences of strangers on the internet:

- According to a leading technology consulting firm 'online comments and reviews posted by the enthusiasts are second only to word of mouth as a purchase driver for all web users. Those personal reviews are far more influential than official reviews posted by a website or magazine, or information posted online by a manufacturer.' (16)
- A global market research firm reported 83% of shoppers said online product evaluations and reviews had at least some level of influence on their purchasing decisions. (17)
- In a recent survey by a global nonprofit research and education foundation, 74% of respondents agreed that they choose companies and brands based on what others say online about their customer service experiences. (18)

This domino effect drives revenue opportunities as companies integrate social media with eCommerce. This has been demonstrated by eBay which found that their customers who participate in online communities tend to spend 54% more than those users who do not. Some studies:

- The Shop.org State of Retailing Online study, conducted by Forrester Research, found 96% of the 137 top retailers ranked customer ratings and reviews as effective in driving conversion. (19)
- Reviews usage drives higher spending: 27% of users report an increase of 5-10%; almost 7% report an increase of more than 20%. (20)

SHIFT

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COMMUNITY OF MEMBERS



COMMUNITY OF ADVOCATES

It was way back in 1944 that Paul Lazarsfeld, Bernard Berelson and Hazel Gaudet established in 'The People's Choice' that 90% of the world is influenced by the other 10%. Things have not changed much since then, for even today, a minority of influencers shape opinions of the largely silent majority.

In today's digital era, this minority initiates dialogue, creates content and actively participates in social media on the Web. The online ecosystem can be defined by Jakob Nielsen's 90-9-1 principle of participation inequality:

- The audience or the lurkers, who form the bulk of the population at 90%, observe but don't contribute.
- The contributors, who at 9% contribute content, but do not create it from scratch,
- Creators - a minuscule 1% - driving most of the online community's activity and moulds beliefs, perceptions and opinions.

Organizations must focus on how to create and expand this core 1%, engage with them and convert them into customer advocates. The passion of these advocates and the influence they wield over the large online community of consumers can help businesses build credibility, increase conversion and drive growth. Thus, nurturing them as you engage in a dialogue yields great dividends for the business.

Even as social media has a tremendous impact on the way businesses engage their customers and would-be consumers, companies spend a significant amount of time and money on measuring traffic. Even as companies take to social networking sites, they measure the number of visitors they had, the number of comments made and the reviews posted.

While measuring these numbers is important, determining the business value of the initiatives has greater importance. Organizations need to focus on metrics that have a direct correlation with the value levers - ones that help drive volume of sales (attract new visitors, improve conversion rates, increase average basket size) or reduce costs (customer service cost, customer acquisition cost, customer retention cost).

## Choosing the right solution

As companies look at engaging customers along their digital life cycle - from awareness to engagement to transaction to service - choosing a solution that comprehensively addresses the digital consumer journey becomes critical. An ideal platform for digital customer engagement should provide capabilities to address the marketing, sales and service lifecycle of digital consumer. It needs to ensure pervasive presence, allowing companies to reach customers in their familiar digital environments.

The platform should be able to be configured quickly to address a range of business scenarios - product launch, brand monitoring, loyalty campaigns, online storefronts, marketplace etc. The IT landscape must be enterprise ready - open, configurable and scalable with the ability to quickly adopt latest technology advancements or best-in-class products eliminating fear of technology obsolescence. It must also allow integration with in-house enterprise applications or external cloud-based applications - integrated into web content management/portal applications, marketing and sales applications or other enterprise systems such as ERP, CRM, HRM, as also social networking tools, rich media systems or ecommerce payment gateways.

In a time of competition and shrinking margins, speed to market at lower investment amounts is critical. A software-as-a-service (SaaS) model ensures all the benefits of the platform at a low cost utilizing the best technology framework. A company need not buy the IT hardware or the software. Instead, it can merely use the software by paying a subscription fee based on usage.

A business putting in place such a landscape needs to have a proven partner - one who is financially stable and has the ability to handle complex, global implementations. Such a partner should be able to provide end-to-end capabilities, from infrastructure to applications to professional services to consulting. The transformational partner must offer a single point of accountability to the business with comprehensive expertise and a clear service-level agreement.

## C O N C L U S I O N

Customers are the people who buy your products - so who knows better than them as to what they want from you? Companies are realizing that the best way to co-create value - both for the customer and themselves - and generate loyalty is to understand customers. Initiating and sustaining a two-way dialogue with customers is critical to understanding them, learn what they want, get them to contribute with ideas, shape their perceptions, and deliver tailor-made products and offerings. This drives both loyalty and sales. To do this, you must go where customers are. Today, they are on the digital medium, discussing your company, reviewing your products, and telling everyone else what they feel: So that's where the smart companies are heading.

Your company must shift its engagement strategy from paid media to earned media; use the pervasive Web to generate commerce; build loyalty through a community of customer advocates and deliver measurable business value. To leverage this revolution your company will require a comprehensive digital customer engagement platform with best-in-class-products and a proven transformation partner. The networked world is filled with opportunity - all you need is an effective customer engagement strategy to convert this opportunity into a rewarding reality.

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