Leveraging Emerging Technology To Up The Ante On Customer Engagement

by Sanchit Gogia, March 28, 2012

KEY TAKEAWAYS

Customer Relationships Will Continue To Change Faster Than CRM Tools
Organizations can’t cater to nontraditional touchpoints using their legacy systems. They're beginning to understand how these new touchpoints affect engagement, across multiple channels, in every phase of the customer life cycle. Companies that truly value customers will invest in social tools and platforms to better manage relationships.

Organizations Must Evolve From Transactional Customer Interaction Methods To Customer Engagement
Companies in multiple industries are already thinking about the customer life cycle beyond legacy customer relationship management tools, which were typically designed to support organizational processes, not customer ones. We expect firms to expand the use of social technologies, mobility solutions, and analytics to improve engagement.

CIOs Are Beginning To Respond To These Challenges
As more companies embrace social technologies, successful CIOs will take an active role in prioritizing tool (and ultimately platform) selection to better manage the evolution of customer engagement. IT will take the lead at some firms, but in most cases it will be a key provider of advice, integration, and tool sets that enable the solution.
Why Read This Report

Organizations are struggling to deal with the increasing need to improve the customer experience. They must not only deliver best-in-class products and services, but also optimize the quality of the customer interaction at every opportunity. To succeed, firms must move away from transactional customer interaction methods and toward customer engagement. The CIO’s office can help a company use cloud computing, social technologies, mobility solutions, and analytics to make this transformational shift. This report outlines the need for businesses to understand the customer engagement process and adopt the right technology framework to enable this shift.

Table Of Contents

2 The Demand For A Richer Customer Experience Is Challenging CIOs
6 Customer Engagement Is A Strategy That Requires Planning
7 IT Organizations Must Make Technology Investments
11 Embrace All Customer Touchpoints To Drive Customer Engagement
12 Supplemental Material

Notes & Resources

In developing this report, Forrester drew from more than 15 user company interviews, client interactions, and vendor discussions.

Related Research Documents

The State Of Social Technologies In Asia Pacific
October 17, 2011
Defining Social CRM
March 2, 2011
The State Of Customer Experience, 2011
February 17, 2011
THE DEMAND FOR A RICHER CUSTOMER EXPERIENCE IS CHALLENGING CIOS

Organizations are encountering sweeping shifts in the way consumers use multiple touchpoints to obtain information, exchange reviews, and purchase products and services. They are struggling to support and enhance the customer experience across rapidly evolving channels like application marketplaces and mobile devices that are increasingly contributing to revenue growth. This report provides vendor strategists with an understanding of the challenges companies face in trying to deliver a seamless experience across all customer touchpoints — specifically, the nontraditional touchpoints that are poorly managed by existing technology implementations.¹

More Customer Touchpoints Make It Harder To Deliver A Seamless Experience

The need to support customer interactions across an increasing number of touchpoints is forcing vendors to think about the customer relationship management (CRM) life cycle beyond legacy CRM tools to include cloud computing, social technologies, mobility solutions, and analytics to improve engagement with customers. For example, while retailers like Carphone Warehouse, Tesco, and Walmart already support both web-based and in-store transactions, they now also need to support mobile-based transactions. Why?

- **Customer touchpoints extend across the entire engagement life cycle.** A touchpoint comprises all types of interactions a customer is likely to have with the company across a variety of digital and physical media, regardless of whether those interactions are for information or purchase (see Figure 1).

- **Customer perceptions are based on collective experiences, not a single event.** Customers typically form perceptions about organizations based on their collective experiences across all touchpoints rather than basing their opinions on any one touchpoint. A recent interview with an unsatisfied AT&T customer illustrates this: Despite expressing delight while using the AT&T website — which was “extremely intuitive” and offered a high degree of personalization — the customer’s overall experience dipped due to a “terrible” call center conversation. Thus, the existence of more touchpoints makes it more difficult for firms to form a holistic view of the customer experience — even as the need for such a view becomes more critical than ever.

- **The relevance of touchpoints varies by industry.** While the above definition of a touchpoint holds true for both business-to-consumer (B2C) and business-to-business (B2B) industries, the relevance of a touchpoint depends on a number of factors, including customer needs, cost considerations, and overall IT maturity. For example, while an industrial goods manufacturer may prefer to use trade shows, events, collateral, and the company website as touchpoints, it will use social media to a lesser extent to interact with customers and gather information from them. This contrasts with fast-moving consumer goods (FMCG) companies like Unilever and Procter & Gamble that actively support increasing traffic on social media and mobile-based tools and decreasing the use of more traditional channels like mailers and websites.
A Seamless Experience Across Multiple Touchpoints Is Key

Source: Forrester Research, Inc.

Use Case Scenarios Of Nontraditional Touchpoints Are Increasing

While the evolution of customer touchpoints is outpacing the speed with which organizations can incorporate them, early adopters are already surfacing globally. Companies in developed markets like North America experienced this evolution earlier than most growth markets did, but use cases are increasingly apparent in countries like China and India. Forrester believes that the impact of these nontraditional touchpoints is being felt in two key areas:

- **Devices such as smartphones and tablets are becoming ubiquitous.** Forrester estimates that smartphone penetration is racing past 25% in the US and some European countries and at a slightly lower level (20%) in Asia Pacific. Businesses in Asia Pacific are increasing their use of mobile payments in contexts like mobile banking, m-wallet services, and SMS to engage with customers. Banks in China and India in particular support mobile payments so they can extend services to untapped consumers in smaller towns and rural areas. Indian telecom provider bharti airtel is leveraging m-wallet services to allow consumers to buy movie tickets, pay bills, and access other services using their mobile phones. Other devices continuing to see strong growth in usage include self-service kiosks and smart cards that automate basic customer-facing processes such as checking in at airports and paying for parking.
Online communities have grown into powerful customer touchpoints. With their rapidly growing user bases — and hence influence — social media tools like Facebook, LinkedIn, and Twitter are being used more directly by organizations to engage with customers. As an example of the effective use of social media, Domino’s Pizza is using these tools not only to let customers order pizza through its website, but also to deliver content and execute customer feedback surveys through its Facebook page. The company engages in regular conversation with its Twitter followers and responds to customer complaints. Other examples of online communities include consumers reviewing products at mobile app stores and third-party merchant websites.

Customer Relationships Change Faster Than CRM Tools; IT Teams Must Move Swiftly

While companies have been able to interact with customers through traditional touchpoints using existing CRM tool sets and platforms, they are typically unable to use these legacy systems to cater to nontraditional touchpoints. Organizations must understand how these new touchpoints affect customer engagement at every phase of the CRM life cycle, from sales to marketing to customer service (see Figure 2).

However, as companies start adopting new applications and approaches to cater to nontraditional touchpoints, a new set of challenges is emerging. The technical challenges of integrating multiple applications mean that IT teams are often unable to respond quickly enough to new market dynamics. And despite an awareness of the need to support new touchpoints, organizations face significant business-related challenges that hinder their efforts to successfully improve customer experiences. Forrester’s Q4 2010 Global Customer Experience Peer Research Panel Survey of 118 customer experience pros revealed that firms (see Figure 3):

- Don’t have a strategy or a long-term plan. The survey results indicate that companies’ inability to draft a customer experience strategy is the most significant obstacle to improving the customer experience. Firms typically lack a thorough understanding of how customers engage with them across rapidly evolving touchpoints. This lack of insight has a clear and negative impact on customer engagement.

- Lack budget and organizational commitment. Redefining customer experience processes requires both budgetary commitment and buy-in from senior leadership to champion the program within the organization. Nearly half of the respondents said that lack of budget was a significant obstacle, with 45% citing a lack of structured processes around customer service. While this already has a negative impact on the customer experience in most companies, the emergence of nontraditional touchpoints makes the job harder for firms that are now forced to define a new set of processes to manage the changing environment.
Figure 2 An Expanded View Of The CRM Life Cycle Is Critical

Figure 3 Many Organizations Lack Budget Or A Long-Term Customer Experience Strategy

“Which of the following are significant obstacles to improving the customer experience that your company delivers?”

- Lack of a clear customer experience strategy: 51%
- Lack of budget: 48%
- Lack of a customer experience management process: 45%
- Lack of cooperation across organizations: 36%
- Lack of a customer-centric culture: 34%
- Lack of understanding of customers: 27%
- Lack of executive involvement: 25%
- Lack of urgency: 18%
- Other: 8%
- None of the above: 7%

Base: 118 customer experience professionals (multiple responses accepted)

Source: Q4 2010 Global Customer Experience Peer Research Panel Survey

Source: Forrester Research, Inc.
CUSTOMER ENGAGEMENT IS A STRATEGY THAT REQUIRES PLANNING

Leveraging technology to help organizations and their leaders overcome their current inability to understand the evolving nature of the customer experience must be viewed as a priority by the CIO’s office. The CIO must evangelize the concept of customer engagement and build a business case for senior leadership buy-in. It’s critical that IT decision-makers gain an understanding of the customer engagement process and then leverage the right tools, technology, and approaches to enable an effective customer engagement experience across multiple touchpoints.

Forrester has developed a customer engagement process model that IT decision-makers can adopt and advocate to key stakeholders in the company (see Figure 4). Vendor strategists must understand this model to effectively map current and future products, technology, and solutions to organizations’ requirements for meeting both current and expected customer experience objectives. In this model:

- **The CIO plays a critical role in helping the organization better engage with customers.** The CIO’s office must assert the need to transform customer engagement into a conversation-led approach that supports establishing ongoing dialogue with the customer using both traditional and nontraditional touchpoints, such as blogs, wikis, and social platforms like Twitter and Facebook. Social technologies play a critical role in this transformation process, allowing organizations to establish a more personal connection with customers.

- **Social technologies drive this transformational process.** IBM engaged with Asian Paints, a paint manufacturing company, to help it improve the customer experience. CRM was integrated with the dealer management system, which was further integrated with social media tools like Twitter and blogs to help dealers improve their insights into customers in their local area. KLM’s recently announced its “Meet & Seat” service, which lets passengers choose their seatmates based on social media profiles, is another example. The airline expects that the service will greatly influence the passenger experience.

- **Integrating evolving business processes is critical.** To facilitate a consistent experience across both traditional and new customer touchpoints, IT organizations will need to expand their existing integration approaches and strategies. This includes tighter integration between horizontal and industry-specific process-based applications that hold customer data and integration between these apps and newer, typically cloud-based, social technologies. Many mature organizations already leverage integration approaches using service-oriented architecture (SOA), business process management (BPM), and the enterprise service bus (ESB), among others. But less mature IT organizations, particularly in growth markets, are just beginning to take a strategic approach to application and data integration.

- **BI tools offer value-add across all phases of the process.** IT decision-makers will likely need to leverage multiple business intelligence (BI) tools to efficiently access, interpret, and exploit
both structured and unstructured data throughout the customer engagement process. IBM demonstrated this well in its engagement with Asian Paints, using web analytics to help the firm personalize content and campaigns to its customers based on their level of engagement.

**Figure 4** The Customer Engagement Process Decision Framework

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**IT ORGANIZATIONS MUST MAKE TECHNOLOGY INVESTMENTS**

Managing the evolution of customer engagement through the expanded usage of new touchpoints takes careful planning and tool selection. This is a journey, and organizations are currently at wildly different stages of understanding and adoption. While some companies are already accessing and integrating customer data from social technologies, others are still struggling to implement traditional CRM solutions and define basic customer engagement processes. Successful IT decision-makers will gauge the level of CRM business process maturity within their firms as a first step toward defining and expanding the customer engagement process. The overall vision and approach must be strategic, but organizations also need to pursue tactical approaches and proofs of concept to drive understanding and usage internally.

**Use Social Technologies To Establish Business Value For Your Organization**

Social technologies are often mistaken for tools that organizations believe they need solely for marketing activities, and senior IT decision-makers often fail to understand the value of these
tools to the broader business. While the importance of these tools for marketing is enormous, it is critical for the CIO’s office to expand their use. Sonata Software helped a large, diversified Indian conglomerate with interests in farm equipment, utility vehicles, aerospace, and IT improve its internal collaboration by establishing communities, collaboration, and a knowledge management portal. Sonata used Microsoft SharePoint 2007 with Microsoft Silverlight and SAP integration to facilitate the solution.

Based on interviews with senior IT decision-makers, social technologies can add business value to organizations in the following ways:

- **Social technologies help establish a personal connection.** When a customer has a complaint, the firm must form a personal connection with the customer for quicker issue resolution; tools like live chat, self-service portals, and videoconferencing have proved highly effective in managing such situations. Ramco Systems, an India-based provider of enterprise resource planning (ERP) products, uses the cloud-based collaboration tool GoToMeeting more than 600 times per month to give product demos and extend product support to customers. This has been integrated with CRM, other process-based apps, and social tools.

- **Social technologies aid back-office processes.** The Australian collaboration vendor Generation-e provides cloud-based email support to 500 Domino’s Pizza stores across Australia. While the collaboration tool (email) is not visible to end consumers, it has an indirect impact on customer service.

- **Extending access to collaboration tools directly to customers improves their experience.** Generation-e helped Forensicare, an Australian provider of mental health services, to collaborate with its customers by expanding access to Microsoft Lync beyond internal use. And Citrix Systems deployed cloud-based collaboration tools like Citrix CloudStack and XenServer at Zynga to optimize customer engagement.7 Citrix also helped Hokkaido University extend its cloud-based HPC environment to a broader set of users outside of the usual Ph.D. students.8

- **Customer advocacy is easier to establish.** Communities, platforms, and forums help firms create a repository of customer references and advocates. IBM helped Bumbu Desa, an Indonesian restaurant chain, connect all of its franchises using IBM LotusLive Engage.9 The company is now extending invitations to students, journalists, and other guests to use the tool to start discussions on food quality and other parameters and critique the restaurant.

**Data Has Changed; BI Strategies Must Also Change**

While organizations have successfully adopted BI tools, technologies, and approaches to drive business value, these have chiefly addressed needs around structured data. With the rise of consumer-facing social technologies, organizations are struggling to access, integrate, and leverage unstructured
data. Forrester believes that IT decision-makers must expand their BI focus to fully support unstructured data as a key requirement for enabling and supporting improved customer engagement:

- **Structured data remains critical to decision-making.** Multiple CIOs confirm that companies are still keen to use analytics to better serve customers. IBM is using web-based analytics to better target customer references — based on location as tracked by IP addresses — for Asian Paints on its website. The analytics allow Asian Paints to better understand customer behavior at various stages of the website experience and monitor the stage at which customers typically opt out.

- **Unstructured data will help drive the customer engagement process.** Early awareness of the need to support unstructured data has been most acute in customer-facing organizations, especially those requiring critical response times, like hospitals and hospitality. Cloud-based social analytics tools like Radian6 (acquired by salesforce.com) have been implemented by companies across the globe, such as KLM, Ogilvy & Mather, Weber Shandwick, Edelman, AutoNation, and Kodak. Dell is another example: The company has set up a dedicated Social Media Listening Command Center and uses Radian6 to track, monitor, and respond to discussions on Twitter and Facebook.

### On-The-Move Access Will Continue To Drive Workforce Productivity

Organizations have unique business needs that they must take into account when prioritizing which applications, business processes, and information sources require mobile support. While embracing this change, companies need to be mindful of adopting applications agnostic to different operating systems and form factors. This is going to be increasingly critical as HTML5-based applications make their presence felt in enterprises. However, the CIO’s office must be reminded that mobile access is only a means of consuming the core application — not its replacement.

### Leverage Cloud Offerings Where Feasible

Relative to more traditional on-premises applications, cloud-based solutions allow companies to be more agile and better respond to business needs. Coupled with the pay-as-you-go economic model, this makes cloud a compelling option for organizations, particularly in areas where no existing on-premises solutions are in place. A good example of this is cloud-based CRM from vendors like Salesforce. The cloud delivery model ensures that the application is available at competitive prices, yet offers similar (if not the same) functionalities and much higher scalability. Conversations with IT decision-makers about their plans to adopt cloud computing offerings to improve the customer experience reveal that organizations (see Figure 5):

- **Start the journey with horizontal process-based apps like CRM and collaboration tools.** Many firms find that CRM is the most obvious starting point for SaaS/cloud-based delivery; this is particularly true for growth markets with a relatively smaller installed base for on-premises
CRM. Collaboration tools are also gaining traction; as they are network-centric by definition, they are a natural fit to use cloud delivery. Email and webconferencing are the clearest examples.

- **Are considering using or migrating to industry-specific process-based applications.** Several factors have deterred adoption of cloud delivery for industry-specific applications, including the unavailability of vendors delivering enterprise-ready industry-specific applications from the cloud and the skill sets required to migrate native applications to an application server environment. This is changing rapidly, and vendors like Salesforce are actively working with industry-specific partners like Accenture, Appirio, Deloitte, and Tata Consultancy Services to manage cloud-based delivery for industry-specific process-based applications. Systems integrators (SIs) like Capgemini have also established a practice to help firms migrate their native .NET environments to the cloud using Windows Azure.

- **Need to ensure integration between applications.** Companies must integrate horizontal and industry-specific process-based applications delivered via the cloud or a traditional on-premises model. This is particularly important to manage the short-term use of cloud-based applications. For example, marketing teams often launch short-lived marketing campaigns in a handful of geographies and need specific apps and tools throughout the campaign life cycle.

**Figure 5 Cloud-Based CRM Is Critical, But It Isn’t The Only Tool**

<table>
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<th>SaaS for horizontal business processes like ERP, CRM, and HR</th>
<th>6%</th>
<th>10%</th>
<th>26%</th>
<th>27%</th>
<th>29%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SaaS for collaboration or email like Cisco WebEx, Microsoft BPOS, and Google Apps</td>
<td>6%</td>
<td>11%</td>
<td>25%</td>
<td>29%</td>
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<td>8%</td>
<td>23%</td>
<td>29%</td>
<td>35%</td>
</tr>
<tr>
<td>SaaS for industry-specific processes like claims management and sale/VAT reporting for retail</td>
<td>3%</td>
<td>6%</td>
<td>20%</td>
<td>27%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Base: 530 IT and business decision-makers from companies in Australia, China, India, Hong Kong, Malaysia, and Singapore with 20 or more employees

(“Don’t know” responses have been excluded)

Source: Forrester Research, Inc.
RECOMMENDATIONS

EMBRACE ALL CUSTOMER TOUCHPOINTS TO DRIVE CUSTOMER ENGAGEMENT

The need to augment and expand the customer experience strategy is a top priority for organizations today. While companies have the right intentions, they are often unable to transform due to multiple internal issues that continue to plague the customer experience. The customer engagement process decision framework proposed in this report goes beyond the current customer experience models that the majority of organizations have adopted. The CIO’s office can use this as a reference structural design and provide the bigger picture when discussing the need to redefine the customer experience with senior leadership. To better prepare their customers to embrace the change, technology vendors should:

- **Identify new touchpoints that affect the organization.** Changes to the customer engagement process must begin by reconciling the touchpoints that have attained critical mass but are still not supported by internal systems. The key is to ensure a bidirectional flow of consistent customer information between all touchpoints and internal systems. Companies like Domino’s Pizza and Dell have done a great job of improving the customer experience by integrating social media tools like Twitter and Facebook into their systems.

- **Evangelize the customer engagement process to obtain buy-in.** Vendors need to evangelize the customer engagement process to a firm’s senior leaders and create the need for phased technology investments. A classic example is the personal involvement of Michael Dell, CEO of Dell, in championing the use of social media as part of a broader customer engagement strategy.

- **Use metrics to help drive discussions.** When proposing big-ticket investments for projects like the customer experience, actionable and measurable outcomes are a must for securing approvals from a company’s senior management. Thus, vendors need an overarching strategy based on a thorough understanding of their customers’ business needs.

- **Create an implementation blueprint to help manage expectations.** Once a firm’s senior leaders have bought into the plan, vendors must follow up with an implementation blueprint outlining the key stages of technology rollout and the related business benefits. While drafting this blueprint, it’s not only important to evaluate tools, solutions, and frameworks, but also to evaluate the delivery options, including SaaS/cloud. Firms must put the emphasis on ensuring support for endpoints like smartphones, tablets, and laptops where applications will be ultimately consumed.

- **Find the right partner to execute.** It’s highly unlikely that an IT organization has the requisite skills for all of the stages of technology rollout. While some firms may choose to hire internally, smarter ones will ask SIs and service providers to act as a partner in helping them improve the customer experience.
SUPPLEMENTAL MATERIAL

Methodology
Forrester’s Forrsights Strategy Spotlight: Cloud In Asia Pacific Excluding Japan, Q3 2011 survey was fielded to 535 IT executives, technology decision-makers, and business decision-makers located in Australia, China, India, Malaysia, New Zealand, the Philippines, Singapore, and South Korea from small and medium-size business (SMB) and enterprise companies with two or more employees. This survey is part of Forrester’s Forrsights for Business Technology and was fielded from January 2011 to May 2011.

Each calendar year, Forrester’s Forrsights for Business Technology fields business-to-business technology studies in more than 17 countries spanning North America, Latin America, Europe, and developed and emerging Asia. For quality control, we carefully screen respondents according to job title and function. Forrester’s Forrsights for Business Technology ensures that the final survey population contains only those with significant involvement in the planning, funding, and purchasing of IT products and services with direct oversight of their team’s or group’s budget. Additionally, we set quotas for company size (number of employees) and industry or job function as a means of controlling the data distribution and establishing alignment with IT spend calculated by Forrester analysts. Forrsights uses only superior data sources and advanced data-cleaning techniques to ensure the highest data quality.

We have illustrated only a portion of survey results in this document. To inquire about receiving full data results for an additional fee, please contact forrsights@forrester.com or your Forrester account manager.

Companies Interviewed For This Report
Citrix Systems  Salesforce.com
Generation-e  Satyam Computer Services
IBM  Sonata Software
Ramco Systems

ENDNOTES
1 Forrester has identified a total of seven technologies that we believe fit best under social technologies: collaboration, knowledge management, social networking, social media, social software, social analytics and social computing. For more information on social technologies, see the October 17, 2011, “The State Of Social Technologies In Asia Pacific” report.

3 Forrester estimated the Asia Pacific smartphone penetration based on the track of smartphone shipment and overall mobile handset shipment numbers for the Asia Pacific market from 2008 to 2011. For more information on Asia Pacific smartphone penetration, see the October 20, 2011, “How Vendors Will Accelerate The Move To Enterprise Mobility In Asia Pacific” report.


4 Source: Domino’s Pizza.


10 Source: Radian6 (http://www.radian6.com/about-us/customers/).

11 Dell is a global brand that generates more than 25,000 online conversations every day. Keeping up with that volume isn't easy, but the firm uses its Social Media Listening Command Center to successfully scale the work and learn from and engage with its customers. How does Dell do it? By training its employees on social media best practices and listening platform technology and using a formalized data collection and reporting process to help spread insights across the organization. See the July 1, 2011, “Case Study: Dell’s Social Media Listening Command Center Builds Customer Relationships” report.


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« VICTOR SCOTT, client persona representing Vendor Strategy Professionals

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