

Forbes insights

**THE NEW RULES OF
CUSTOMER ENGAGEMENT**

How Leading Companies Are
Connecting With Customers
To Drive Greater Growth

IN ASSOCIATION WITH:



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FOREWORD

Customers have high expectations today, and they engage only with companies they trust. Yet many companies are not earning that trust or truly focusing on their customers to build meaningful engagement. And that is reflected in their performance in the market and their internal metrics, especially customer satisfaction and Net Promoter Scores.

With the pace of business and innovation continuing to grow with every new development in technology, businesses are challenged more than ever before. As part of this continual evolution, today's consumers have much more control over their interactions with brands. They can easily access information about different products and services and have real power in the relationship. This radically changes the rules of engagement.

At Pegasystems, we were curious about how companies are dealing with this change in customers' power and how it affects their business outcomes. Are companies doing what they need to do to thrive, such as thinking differently about their customers and how to best interact with them? If companies are making these changes, are they creating true customer engagement?

To answer these questions and better understand what customer engagement looks like today, we partnered with Forbes Insights to survey more than 200 senior executives. We hoped to uncover the drivers of customer engagement and determine if there were any repeatable practices companies could follow to achieve success.

The survey results, which are outlined in this report, not only proved the importance of customer engagement—93% of executives do not think of customer engagement as simply industry jargon—but also pointed to several best practices. For some businesses, achieving success may require only a subtle shift in approach; for others, it may take dramatic changes. However, one thing is clear: Creating an organization designed for powerful and proactive customer engagement—whether that is through technology, change management or a refocusing of management's approach—is within reach of any business willing to invest the time and resources.

We hope you rethink your customer engagement strategies based on these findings.



TOM LIBRETTO
CMO, Pegasystems

INTRODUCTION: BUILDING MEANINGFUL ENGAGEMENT

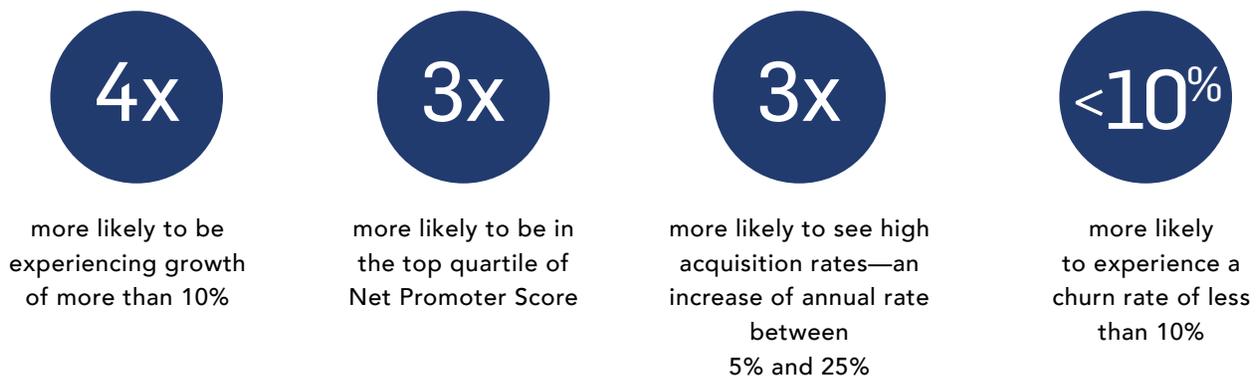
It's a trend these days for companies to say they're customer-centric. Wherever you turn, companies say they get it, that customers are important to their business. But are companies really able to deliver on this promise?

A Forbes Insights and Pegasystems survey of more than 200 U.S. executives uncovered that an unprecedented 100% of executives believe their customer engagement process is set up to successfully deliver given their products or services. However, not all are doing what is necessary to be truly customer-centric. This rosy self-assessment may be due to a misunderstanding of the role that customer engagement should play—many of these companies could simply be viewing engagement through the wrong lens.

So, how can a company know if it is truly succeeding with customer engagement? To help companies understand where they fall on the engagement spectrum, we examined what separates leading companies from the rest of the pack. Companies that excel in customer engagement—the leaders—are set apart by their engagement processes and measurement. Followers are those who are less advanced in their customer engagement initiatives.¹

The Forbes Insights/Pegasystems data shows that, when it comes to customer engagement, leaders are driven by the idea of having a process in place and measuring their own performance. These companies have operationalized engagement and built in accountability to achieve their business objectives. As a result, these top-notch firms see significant business results.

By truly engaging their customers, leading companies are:



¹ Leaders, about 25% of respondents, are those who rated themselves as satisfied or very satisfied on two key questions: How well is your customer engagement process set up to successfully deliver given your products or services? And how satisfied are you with metrics available to measure customer engagement?

WHAT'S THEIR SECRET?

LEADERS VIEW ENGAGEMENT AS A MEANS TO AN END

Leaders define successful engagement differently than followers, often with the end state being a financial objective, like revenue. They more strongly believe that engaging and delighting customers leads to business outcomes, including purchases. Followers, on the other hand, are more likely to think of engagement tactically, such as outbound communications.

LEADERS CREATE THE RIGHT ENVIRONMENT FOR CUSTOMER ENGAGEMENT

Customer engagement thrives only in certain cultures and organizational structures. Leaders invest more in staff resources to focus on customer engagement, which includes hiring, training and enablement. They are 28% more likely to believe that organizational structure and workflows to support customer engagement make a difference and have reorganized internally to get rid of silos and improve customer engagement. They are also most likely to have an executive who is responsible and accountable for customer engagement.

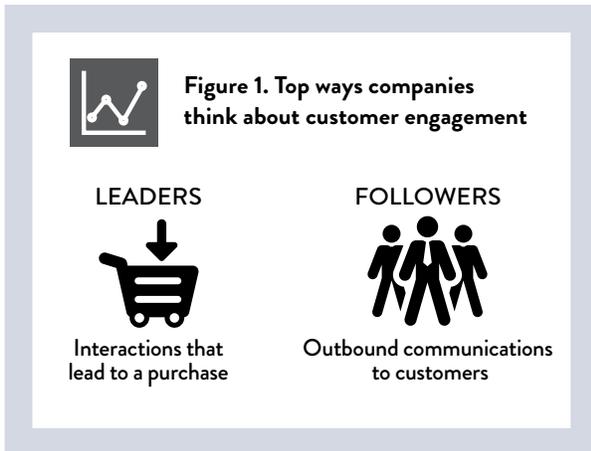


LEADERS OFFER CONSISTENT CUSTOMER EXPERIENCES

Connected interactions drive engagement. Leaders understand that customers want to engage seamlessly with brands and create environments that make this possible. Leaders are more likely to rate omni-channel as effective engagement (89% compared with 77% of followers), and plan to invest in omni-channel service tools to ensure they can effortlessly transition customer conversations across channels, without interrupting the exchange.

A key to success is aligning customer engagement with business objectives and ensuring that two key customer metrics—customer satisfaction and Net Promoter Scores—are business goals. When these metrics become a priority, companies experience higher growth, better acquisition and retention rates, and lower churn rates.

ENGAGING WITH A PURPOSE



Companies that excel at customer engagement are singularly focused on business results—for example, they spend more time than followers thinking about how ongoing engagement leads to top-line growth. Their approach is also more long term, as customer lifetime value is more important to them than it is for followers.

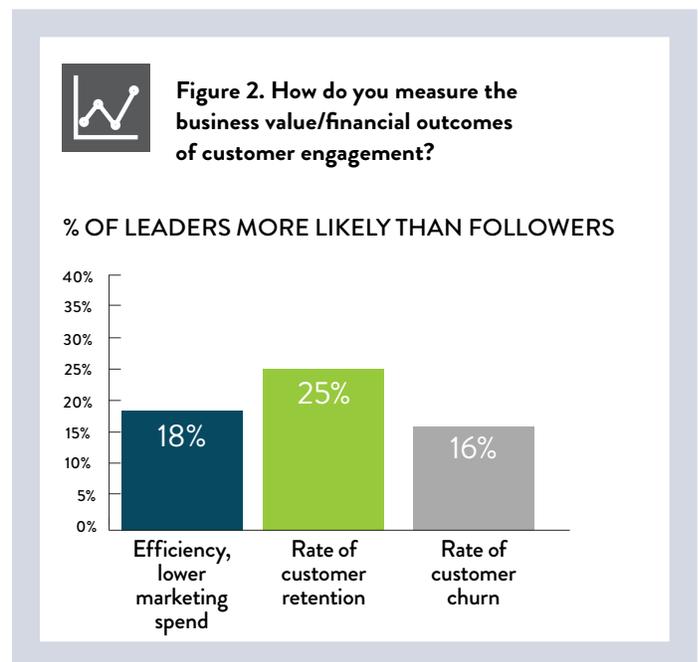
While the leaders are revenue- and long-term-oriented, followers are about connecting with customers in more literal terms, terms that are not necessarily connected to business results—like the belief that customer engagement is largely about outbound communications. (Fig. 1).

Customer engagement will not lead to business outcomes unless it's managed in such a way that customers find it welcome and useful. Todd Provino, SVP of customer care at Priceline.com, gets it: "My philosophy is that customer engagement is, first and foremost, meeting the customer on their terms. Companies that enable customers to communicate in the way they are comfortable with are more customer-friendly."

From the business's perspective, the relationship with the customer is most valuable when it's data-driven and proactive. More leaders (52%) than followers (43%) make decisions about the customer engagement strategy based on insights gained from customer-related technologies, pointing to a more scientific approach to devising customer engagement strategies.

The insights from customer engagement data are aimed at bolstering future business outcomes, making it very important that customer data is viewed through the business lens. To this end, leaders take a more long-term approach to measuring the business value of customer engagement, focusing more on overall retention or churn versus a one-time purchase (Fig. 2).

What types of engagement work for companies, especially in light of the value of data in customer relationships and the key metrics that connect to business outcomes? We have identified four features of customer engagement that make leaders more successful.

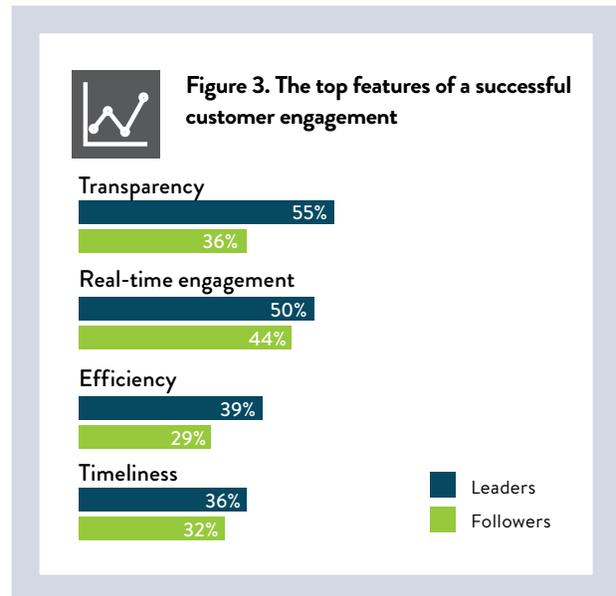


Transparency is on top of the list of features valued more highly by leaders. A transparent company may disclose information, such as how products are produced, how decisions are made, and how the business is run or how marketing information, including personal data, is used. Given the current regulatory environment and concerns about protecting consumer privacy, this is a critical step in building trust with customers, which is the basis for real engagement.

The use of artificial intelligence, with its hidden and proprietary algorithms manipulating data, is creating a new area of murkiness. This requires attention, considering that already 100% of leaders and 96% of followers currently use artificial intelligence.

Leaders understand the importance of privacy. Half of them, as compared with less than a third of followers, believe that the effectiveness of customer engagement depends on service based on accurate data that does not violate customer privacy.

The last features that leaders value more highly than followers are all related to immediacy and time—how little of it customers have and how fast the world is moving. To respect their customers, leaders offer real-time, efficient engagement (Fig. 3).



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Successful customer engagement comes down to understanding customers, it's that simple. The moment you create a good connection with a customer, you realize you're investing resources in getting to know them and making things easier for them.”

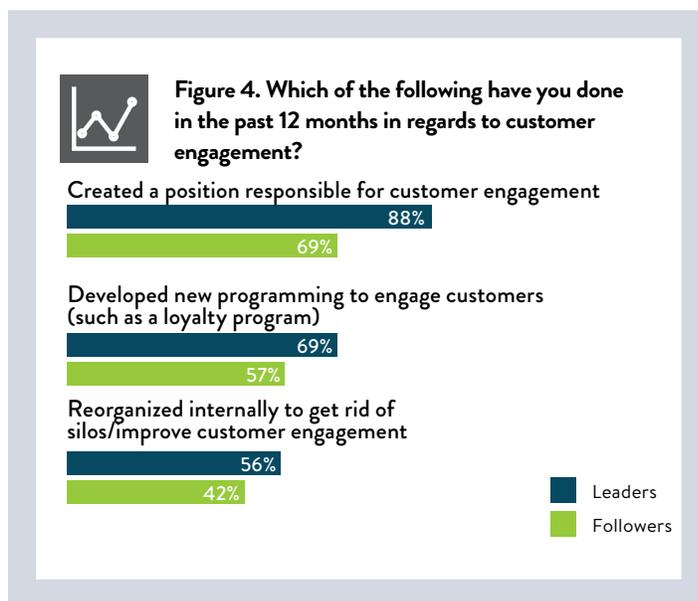
ARTEMIO GARZA
Chief Brand Officer,
Driven Brands

CREATING THE RIGHT ENVIRONMENT FOR CUSTOMER ENGAGEMENT

Companies at the front of the customer engagement pack understand that success comes from the combination of an organizational structure that emphasizes customer engagement and visionary leadership.

ORGANIZATIONAL STRUCTURE PAVES THE WAY

The fast-changing customer is often seen as one of the top challenges for organizations. Customers have more options than ever and there are many ways they look for value when shopping. They can compare prices across companies, research products on different platforms, and easily switch if they are dissatisfied with their experiences. Retaining customers requires keeping up with them and earning their loyalty. This, in turn, calls for a nimble organization, able to adjust itself when necessary—from infrastructure and workforce, to marketing campaigns and messaging, to customer service and loyalty programs.



Leaders are 28% more likely to recognize that organizational structure and workflows designed to support customer engagement matter to their business. Because of that focus, in the past year, they were more likely to have reorganized internally to eliminate silos, as well as to have created a specific position and programming with the goal of providing value and improving customer engagement (Fig. 4).

Once the organizational structure is in place to support sophisticated customer engagement, companies can understand their customers on a deeper level. And this means they are better able to meet the needs of the fast-changing customer. While all companies feel the changes in the consumer landscape and buyers' habits, leaders are not as likely to feel as if customers are changing too fast.

One key step to customer engagement success: Visionary management

LEADERSHIP AND ACCOUNTABILITY DRIVE VISION

Leading companies recognize the critical importance of executive management—to drive engagement and execute on that vision. They have a single executive who is accountable for customer experience and know that engagement has to start with senior leadership.

Charlie DeWitt, VP of business development at Kronos, understands firsthand the importance of executive involvement. “It all has to start with the CEO. Our CEO reads every customer survey. If the score is good, he sends out a quick note about how good it is. If it’s not so good, he engages the right teams and asks how [they] can fix it and make the customer happy. With a leader like this leading the way, the rest of the company knows that this is important, and that being a customer-first company is critical. At Kronos, our leadership recognizes that to gain the confidence of customers, it’s not enough to focus on a single survey result. It’s about being mindful of the entire customer journey and taking a proactive approach to customer satisfaction.”

What’s worth noting is that not only do leaders have executives responsible for customer

Leaders are more likely to have one executive accountable for key customer metrics

engagement, but they also hold these executives accountable for two key business KPIs: customer satisfaction score (CSAT) and Net Promoter Score (NPS), a measure of the likelihood that a customer will recommend the brand to a friend or colleague. Leaders were much more likely than followers to report having a single executive



Figure 5. The top 5 ways companies think about Net Promoter Score



Figure 6. The top 5 ways companies think about customer satisfaction score



accountable for tracking each of the scores to measure outcomes and gauge loyalty to the brand (Figs. 5 and 6).

“From an engagement perspective, we are laser-focused on customer metrics,” says Amy Downs, chief customer success and happiness officer at Lifesize. “We use net promoter feedback, onboarding surveys, usage and adoption metrics, product performance and quality, customer health metrics, support tickets, and financial data like renewals and upgrades. You name it, we log it and drive decisions that deliver an exceptional experience for our customers. We are driven by data, but it doesn’t tell the intangible, so we place a lot of importance on talking with our customers as well, especially during critical touchpoints in their journey, to make sure we are delivering the business outcomes and experience they expect.”

It is this accountability that leads to success—these executives ensure that goals are set and met, provide teams with the information they need to do their jobs, and make critical business decisions. This, in turn, ensures that valuable customer insights translate into future business gains.

Executive accountability makes a difference, as Priceline’s Provino knows. “Companies need to have a leadership and management team supporting the fact that it’s all about the customer,” he says. “Engagement has to start at the top. Some companies slap a banner on the wall saying that customers are number one, and it starts and ends with the banner. That’s not going to work.”

CONSISTENT CUSTOMER EXPERIENCE

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“From a technology standpoint, we are in an arms race,” says Russell Reynolds, CEO of Batteries Plus Bulbs. “We recognize that there is a baseline expectation of technology. A retailer that has not identified a purpose-built approach to engage customers through technology is probably on the endangered species list. That said, you can’t swing all the way to the other side and have every tool available, to try to be all things to all people. We are more of a curator; we specialize in certain things and need our experience to be highly customized.”

“

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RUSSELL REYNOLDS  
CEO,  
Batteries Plus Bulbs

Technology creates multiple opportunities to interact with tech-savvy customers. Both leaders and followers say that they have invested in new technology to improve their overall understanding of their customers (94% vs. 88%).

Yet “customer engagement is more than tools,” says Driven Brands’ Garza. “At our company, what we’re really investing time in is getting better at listening; that is how we get valuable ideas. Most companies have so much data coming in from the customer that we need to take more time and allocate more resources to dig into that data and make sure we are doing what is best for our customers. There are a lot of great technology partners to help us listen, and the companies that master this piece really stand out.”

Leading companies have heard what customers want—exceptional experiences where channels are irrelevant. “In the end, the customer doesn’t care about how many channels you make available to them. They just want to buy the way they want to buy, have their questions answered, their problems solved and their comments acknowledged. It doesn’t matter what channel. So, why do we keep talking about different channels? It’s really about connecting and responding to the customer,” writes Shep Hyken on Forbes.com.

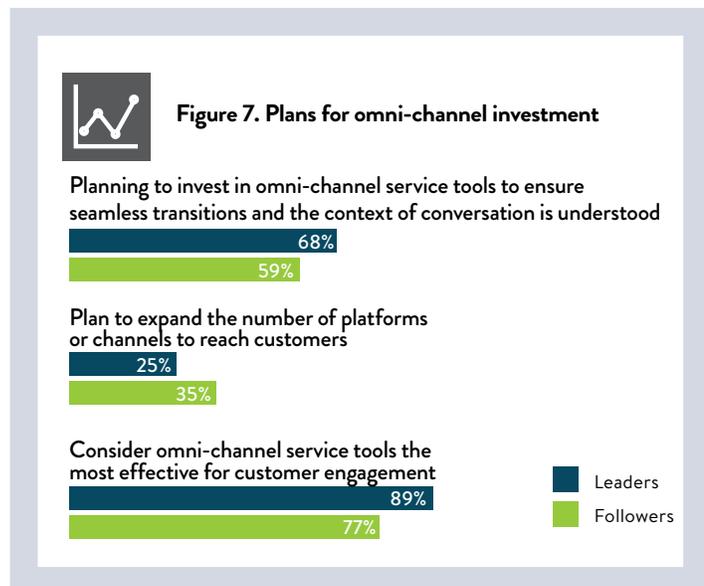
That is why leading companies are engaging customers holistically. Followers, on the other hand, tend to think about channels as separate avenues to reach customers. The fact that more leaders consider omni-channel the most effective way of customer engagement clearly points to the right approach (Fig. 7).

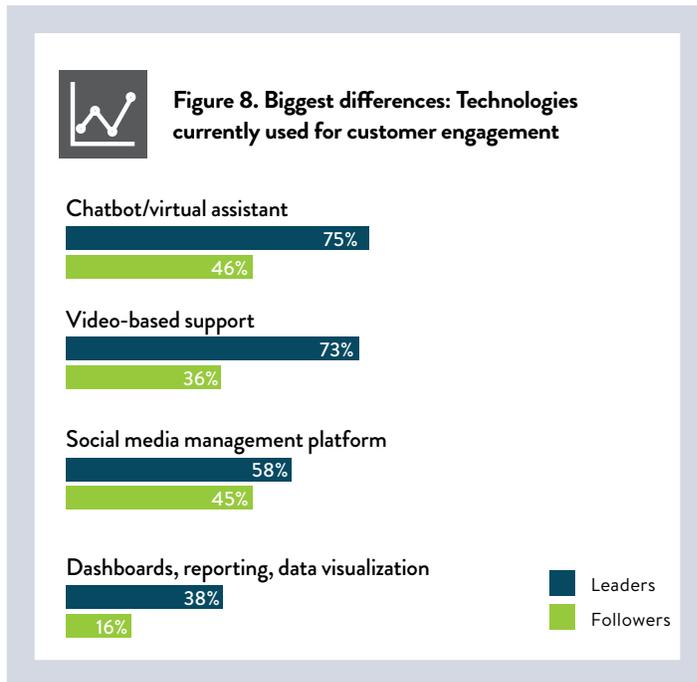
“Having a fully aligned technology stack is how you overcome cross-functional challenges,” says Clint Poole, CMO and SVP at Lionbridge. “You cannot execute without systems that interact with each other and give whoever is responsible the insight into one true set of customer data. It is impossible without the right tech stack.”

## HUMANIZING ENGAGEMENT

“You are real? Oh, I don’t like those machines,” says a client in a TV commercial for Discover Card, after realizing that at the other end of the call is a real person and not a bot. According to Pegasystems’ survey on artificial intelligence (AI), only 20% of consumers prefer chat-based customer service, and 80% still want a live human typing on the other end.

This may be why some companies shy away from using bots—they do not yet mimic human conversations well enough to satisfy customers. All of the companies surveyed have invested in new technologies to improve their understanding of their customers in the past 12 months. And all ranked their current use of text/SMS messaging, predictive analytics and customer data platforms as high (over 75%). One of the biggest differences in how





companies use technology today is in those that mimic human interaction—chatbots and virtual assistants, and video support. Leaders are significantly more likely than followers to use these technologies (Fig. 8).

So what are leaders doing to further separate themselves from followers? Fifty-six percent of leaders invest in AI to personalize and continuously learn from customer interactions, compared with 41% of followers. Artificial intelligence is one technology that, along with bots, helps make service experiences at leading companies more intelligent, useful and gratifying for customers and employees to use in a variety of scenarios.

Leaders who use such intelligent virtual assistants see the results. Eighty percent of them consider online chat as the most effective channel of communication, compared with 64% of followers.

## THREE RULES OF CUSTOMER ENGAGEMENT

As the Forbes Insights/Pegasystems survey shows, customer engagement is not a one-off endeavor, nor is there a single button to push or a box to check to ensure success. Meaningful customer engagement requires that companies remain diligent, predictive and proactive.

“Most companies accept that customer engagement needs to be a priority and understand how to measure it and the value of it,” says Lionbridge’s Poole. “Companies are now moving into the execution phase—finding out what works and breaking down the massive effort into meaningful wins.”

To put your company on the path to becoming a customer engagement leader, ask yourself the following questions. If your answers are mostly “no,” it may be time to rethink your customer engagement strategy:

### 1 ENGAGE WITH A PURPOSE

- Do you set customer engagement goals tied to business outcomes?
- Do your engagement strategies enable control over the level of transparency in your decisions?
- Are you able to apply insights from measurement data to improve customer engagement and business outcomes?

## 2 CREATE A CULTURE AND ORGANIZATION FOR CUSTOMER ENGAGEMENT

- Is everybody in your company on board with your customer engagement strategy, and do they have the organizational muscle to carry it out?
- Have you eliminated internal obstacles such as silos to make sure the customer journey can be followed—and acted on—internally?
- Do you have visionary leaders who evangelize and are accountable for customer engagement?

## 3 DELIVER CONSISTENT CUSTOMER EXPERIENCES

- Do you offer a consistent service across all channels?
- Do you understand and interact with your customers in context?
- As you automate customer interactions (e.g., through bots or virtual assistants), are they delivering this consistent experience?

For some organizations, no matter what they say about the power of customers, pivoting to focus directly on customers and being responsive to the changing landscape may feel foreign. But, as the survey shows, by doing so, companies can improve their growth, acquisition and retention rates, and keep customers engaged longer.

“As a way to remain an ever-evolving company,” says Adrienne Weissman, chief customer and growth officer, head of partnerships at G2 Crowd, “really think about how to take care of and nurture customers. That will be the key to future success.”

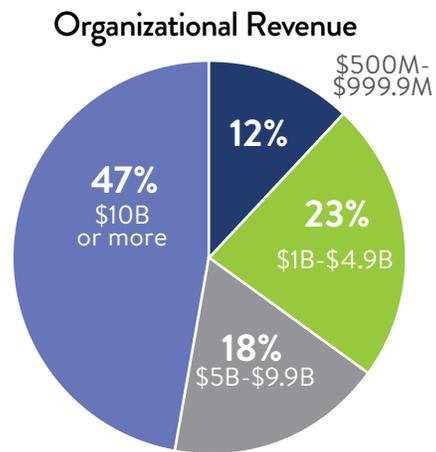
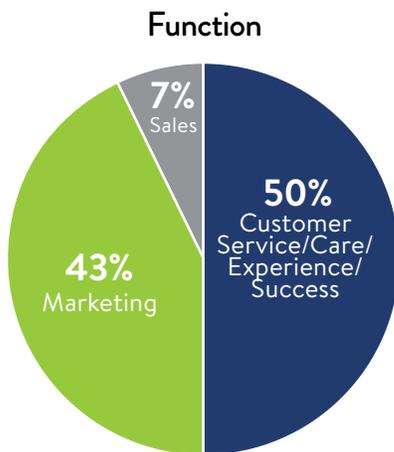
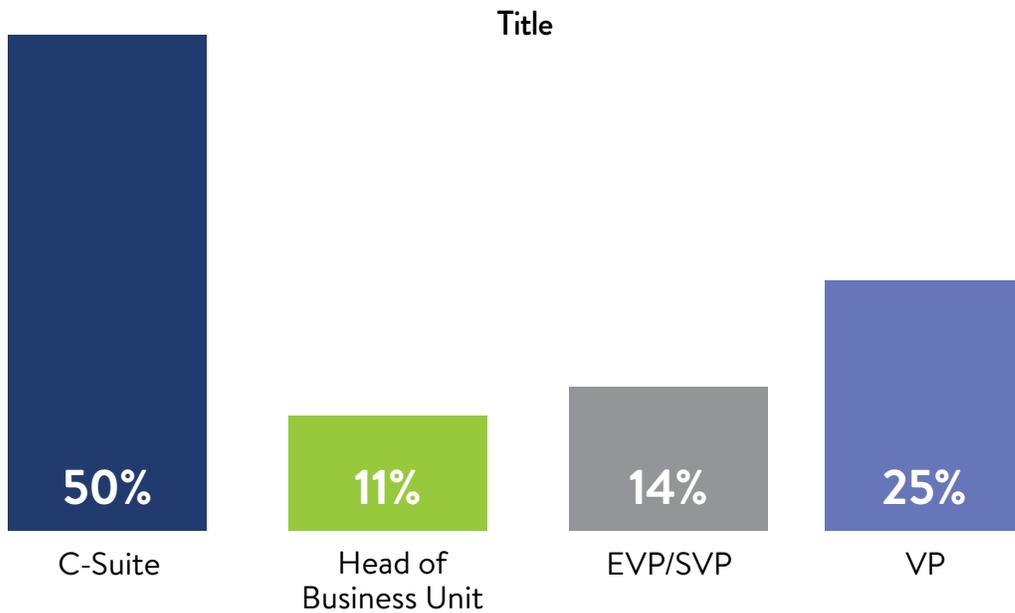
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CLINT POOLE  
CMO and SVP,  
Lionbridge

## METHODOLOGY

This report is based on a survey of 201 executives in several industries including automotive, consumer products, retail and technology, conducted in April and May 2017 by Forbes Insights. All executives were SVP or higher, and half of those surveyed were C-suite executives. Management responsibilities represented two primary functions: customer service/care/experience/success and sales/marketing. All firms represented in the survey were based in the United States. They had annual revenues of \$500 million or more; 47% had revenue of more than \$10 billion.



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