

ENGAGEMENT IN THE AGE OF THE CUSTOMER

USING TECHNOLOGY TO BUILD RELATIONSHIPS



IN ASSOCIATION WITH:



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INTRODUCTION

The momentum of the past 30 years of Internet and mobile technology development is propelling us into a new era, one where the dynamic between businesses and their customers has flipped. Consumer buying habits and attitudes have changed. People are more discriminating and more likely to brand-hop, more difficult to acquire and keep as customers; offer acceptance rates are plummeting, while churn rates and customer service costs are escalating.

Price and product have become less important as differentiators, and businesses find themselves competing more on the quality and consistency of the experience they can provide. Consumers now hold the power and demand to be met on their own terms, and businesses must learn to meet those needs. Otherwise, they risk being overtaken or having their business models disrupted.

“You have all these things that essentially allow the consumers to get what they want, when they want, how they want—all through an app,” says Brian Solis, author of *X, The Experience When Business Meets Design* and principal analyst at San Francisco-based Altimeter Group, a research consultancy focused on disruptive technology. “This is important because it’s starting to condition the marketplace, and consumers specifically, to expect things their way.”

In this environment, it is increasingly critical that businesses deliver a high-quality experience, consistent across an ever-increasing number of digital and physical touch points, and increase customer engagement with their brands.

This new consumer-led era is what consulting firm Forrester Research has termed the Age of the Customer, explaining on its website the need for businesses to meet the challenges of this age by aligning not around product or business line, but around the customer¹: “A customer-obsessed enterprise focuses its strategy, its energy, and its budget on processes that enhance knowledge of and engagement with customers and prioritizes these over maintaining traditional competitive barriers.”

This isn’t just a nice, warm-and-fuzzy-sounding way to do business. It makes good financial sense. Research by Econsultancy reveals that 82% of companies agree that customer retention is cheaper than acquisition, yet acquisition, not retention, tends to be business’s dominant focus². Watermark Consulting has been following the leaders and laggards of Forrester’s customer experience rankings for the past eight years—a period that encompasses the pre-recession boom to the 2008 global financial crisis bust, and beyond. Watermark’s research found that customer experience leaders consistently outperform the broader market (by 35 points in the latest report), while laggards underperform—trailing the S&P 500 Index benchmark by 45 points.³

Within this landscape, companies that foster positive customer engagements have an edge. It is a necessary requirement to build stronger and more profitable customer relationships.

“The key is relevant and engaging interactions across the life cycle, increasing real customer lifetime value.”

Liz Roche

Director of Product Marketing and Customer Engagement Solutions, Pitney Bowes

¹ Winning In The Age Of The Customer. (n.d.). Retrieved September 8, 2015, from <https://solutions.forrester.com/age-of-the-customer>

² <https://econsultancy.com/blog/65339-marketers-more-focused-on-acquisition-than-retention>

³ <http://www.watermarkconsult.net/docs/Watermark-Customer-Experience-ROI-Study.pdf>

While there is no one approach or silver bullet to ensuring strong and consistent customer engagement, there are strategies and technologies that can help set the stage for success. Single views of the customer, unified customer experiences, omni-channel strategies—these are all different facets of the same lens. “The key is relevant and engaging interactions across the life cycle, increasing real customer lifetime value,” says Liz Roche, director of product marketing and customer engagement solutions at Pitney Bowes.

Talking about customer engagement is one thing, actually delivering it is another. Two strategies we discuss in this paper are building a 360-degree view of the customer (also known as the single view of the customer) and interactive personalized videos. These are different approaches for different needs. One focuses on solving a particular pain point within the larger context of a customer-focused organization, while the second shows how managing relevant, personalized and timely customer communications can enhance overall experience.

Crucially, in a market where price and product continue to lose differentiating power, each case also illustrates how businesses can distinguish themselves through customer-focused engagements, even in crowded marketplaces.

TOP TECH TRENDS IN CUSTOMER ENGAGEMENT

We spoke with Brian Solis, principal analyst at Altimeter Group, and Terry Frazier, research director at IDC, to identify the current and rising technology trends in customer engagement.

Mobile, social, real-time: “This is an outside-in issue, not an inside-out solution,” Solis says, emphasizing that consumers with mobile Internet and social media access are the driving force behind market changes. “Every consumer, practically, has a mobile phone. Many of them are on social media. Everyone is using apps and has access to the Internet....We live in a real-time world that is quickly evolving into an on-demand economy.”

On-the-fly responsiveness: Siloed approaches to customer communications are out, and an interconnected ability to compose relevant and timely responses on-the-fly is in. Frazier points to interactive personalized video as one example, where videos are compiled in response to specific customer inputs and queries.

SPARKING INTEREST WITH VIDEO

For Florida-based Security First Insurance, offering a superior customer experience is essential to differentiate itself. The company is one of several small, privately held insurers operating in a crowded insurance marketplace with little perceived difference in the material makeup of its products—homeowners' insurance policies.

“In Florida’s insurance market, consumers are obsessed with price,” says Ben Bomhoff, the company’s vice president of enterprise systems. “Most consumers experience sticker shock as they explore moving here from out of state—Florida has the highest average homeowners’ insurance premium in the U.S.¹ People are looking for the lowest rates, and they’re not used to being insured by a smaller, unknown, insurance provider. We really believe that the customer experience is one of our major competitive advantages and a key component of building trust, so we’re always looking for ways to make that experience better.”

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Ben Bomhoff
Vice President of Enterprise Systems,
Security First Insurance

Marissa Buckley, marketing vice president, says the customer is central to everything Security First Insurance does. Ideally, customers shouldn’t feel as if they’re dealing with an insurance company, but with someone who cares as much about the protection and coverage of their homes as they do. “At the forefront of everything we do and every decision that’s made, we’re thinking: ‘How does this affect the customer? Is this what they want?’” she says. “We just think about, from their standpoint,

what would be the ideal case scenario in any situation and how do we want to do this?”

That thinking has led the company down a very customer-focused path. It has processes in place, for example, to funnel customer contact to the correct party for response regardless of which channel—mobile, social or otherwise—the customer uses for that contact. To that end, the company has also taken into account the potential difficulties policyholders might face in the event of an emergency, and have implemented a five-digit SMS short code for communication if other channels are down.

The customer-centric thinking is also evident in its contact center staffing, where underwriters with authority answer calls—not customer service representatives who will inevitably have to refer questions elsewhere. “The thought was, when someone calls us, what are they trying to do?” Bomhoff says. “They’re trying to make changes to their coverage, or they have a question about the policy. Without decision-making authority, the typical response will be ‘Well, I’ll go talk to the underwriter and get back to you.’” Now Security First Insurance customers are more likely to have their questions resolved on the first call, increasing overall satisfaction.

A major source of customer frustration is when policy coverage is unclear. All too often the vagaries of a policy become clear only during the claims process, a time when customers are already suffering. Considering that policies often consist of 80-plus pages packed with legal jargon and murky terminology, it’s unsurprising to find that customers rarely read or understand their policies. “We’ve conducted focus groups over the last four years, and consumers have told us, ‘I’d rather stick a needle in my eye than think about homeowners’ insurance,’” says Buckley.

¹ <http://www.propertycasualty360.com/2015/04/21/the-10-states-with-the-highest-homeowners-insurance?personal-insurance-business&page=11>

Security First Insurance knew it had to do something to help its customers understand the important parts of their policies and clear up common misunderstandings, like the difference between water damage and flood protection—a vital distinction in a hurricane-prone state like Florida. So when the company’s chief operating officer, Werner Kruck, was emailed a personalized video explaining his home telecommunications services and billing, he quickly saw its potential for explaining insurance policies.

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Security First Insurance

Interactive personalized video allows brands to compile videos tailored on-the-fly to user specifics from a combination of pre-recorded content segments addressing, for example, frequently asked questions. Personalization is facilitated both by user input (the customer’s name, for example) and data from internal systems (products held, location, etc.) and external providers (such as demographics and regional news) to deliver specific and relevant information to the viewer. According to IDC analyst Terry Frazier, these videos have the “potential to increase engagement, take prospects deep into the sales cycle, and explain complex products and services” with a legitimate claim to revenue growth as a result.²

Working with Pitney Bowes on a tight three-month turnaround, Buckley and Bomhoff oversaw the creation of Security First Insurance’s video, which incorporated its own branding and the company’s friendly, relatable

voice to quickly engage viewers. “Video allows you to be very creative right from the start and spark the interest on a deeper level with the audience, because it is multi-sensory,” says Buckley.

The video also provides a pathway to deeper engagement with Security First Insurance’s brand, via hyperlinks to its customer portal and blog. “We work really hard to publish valuable content for our customers,” Buckley says. “If our policyholders find this information valuable, they’ll keep touching base with our blog. That makes them more likely to feel loyal to us when it’s time to renew their policies.”

The new homeowners’ policy video was launched in December 2013, and results have been very positive. Out of 52,000 videos, the open rate is 55%, with 76% of those viewers watching through to the four-minute mark—enough to cover the most important sections of a policy—and 43% watching all seven minutes to the end. Even more heartening is the customer feedback, putting into words the effect of a well-implemented customer engagement strategy: “I’m 70 years old and have never had such great service,” wrote one impressed customer. “Outstanding video and extremely educational. Thanks for going the extra step to help your customers,” wrote another.

Building on the success of the initial video, Security First Insurance has gone on to launch another aimed at condominium owners, and has plans to launch videos for renters and renewal policies next. “People’s greatest asset is their home, so now we’ve got something that’s fun and engaging but really serious at the same time,” Buckley says. “Video is the only thing that’s going to be able to get that block of [policy] text across in a world of people living with all these other things going on in their life. How do we get their attention? I think video plus relatability is the only way to do that.”

² Frazier, T. (2015). Sales (and Service) as a Service: Pitney Bowes’ Personalized Interactive Video Reimagines Customer Engagement. IDC.

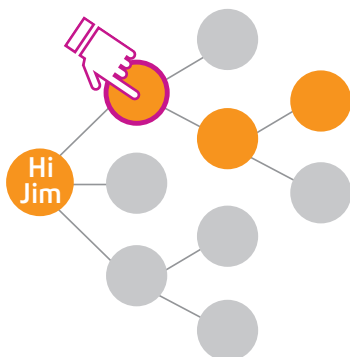
Video reimaged.

Interactive Personalized Video

Capture attention. Motivate action. Deliver real results.

Go interactive.

When consumers guide the conversation, they stay engaged.



"86% increase in conversions when video is used"

source: unbounce.com

Get personal.

Tailor content, context and images to each viewer.



Hi Jim, as a retiree, you'll love our senior discounts.



It's sunny today, so stop by our branch. It's only five miles away.



Deeper engagement with EngageOne® Video

Actual insurance-company results:

More clicks

55% open rate



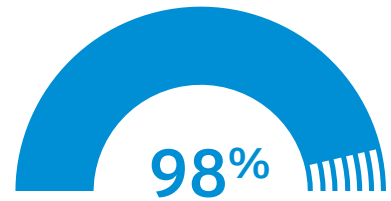
vs. 20% the industry average

Longer view times



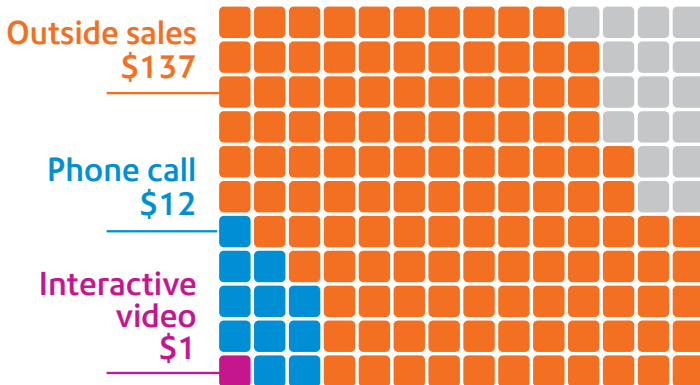
above typical max view time

More satisfaction



of viewers gave positive feedback

Bigger savings



Increased success

Actual results:

+25%
on-time
payments

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Customer
Engagement

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CROSS-CHANNEL COMMUNICATIONS FOR SMARTER ENGAGEMENT

Nordic insurance company Tryg can trace its roots all the way back to the aftermath of the devastating Copenhagen Fire in 1728, which destroyed over a quarter of the city. Since then the company has grown to serve 2.7 million private customers and 140,000 business clients, handling US\$3.7 billion in gross insurance premiums each year. That makes it the second-largest insurer in the region, serving customers across Denmark, Norway and Sweden. But the market dynamics changing the face of businesses across the world are also at work here, presenting a number of challenges and demanding an increased focus on the customer in response.

Some of these challenges will be familiar to those in other countries: an increasingly fragmented and competitive marketplace and subsequently falling market share for established players like Tryg. Some of the challenges are more idiosyncratic. In Norway, for example, the market has been growing at a rate of more than 4% per year, a rate that—as Tryg’s head of strategic sale management and CRM, Jon Terje Amland, points out—is the opposite of the market direction in Denmark and further afield. While the market has been growing in Norway, its rate of growth has outpaced the company’s ability to keep up.

To meet these challenges, Tryg has redoubled its focus on serving customer needs, orienting itself toward customer-centricity and responsiveness. “I can definitely say the customer is a main priority at Tryg,” says Amland, noting that this priority is supported in part by the recent hire of four directors with the responsibility for overseeing different areas of customer experience.

Tryg implemented its first customer communication systems with Pitney Bowes in Norway in 1999. The aim then was to automate customer communications and ensure contact occurred at relevant times to reduce churn during renewal periods.

“In Norway, you review your insurance once a year,” says Amland. “We wanted to get in contact with the customer [before] that process and ensure that everything is okay so they actually continue to keep their policy with us.”

“What we are doing is definitely having an impact when it comes to churn, when it comes to customer satisfaction, when it comes to the improvement of...the ability to upsell.”

Jon Terje Amland
Head of Strategic Sale Management
and CRM, Tryg

Since the initial implementation, Tryg has expanded its use of the Pitney Bowes customer engagement solution to manage communication across touch points—email, phone, direct mail and SMS—and throughout the customer life cycle to provide relevant information and newsletters, to manage survey feedback and to capitalize on upsell opportunities. It has also expanded use of the software to a second territory, Denmark. “We needed

to have one database for the marketing department to be able to interact [with] and develop campaigns for our customers and communicate with them on a one-to-one basis,” Amland says.

“We implemented this system in Denmark, and we did that because we knew, and could also prove, that a lot of the activities done in Norway [had] provided a lot of benefits. And we know the lead we had was so strong in being able to have a tool for this, that we needed to have the tool implemented [in Denmark also].”

Getting cross-channel communications right is becoming ever more essential for businesses like Tryg in maintaining customer loyalty and engagement. “Basically, our customers expect it—and to a larger degree now than they did 20 years ago. They expect us to have an overview of all the communications they have with us, whether that is in presales, office sales during their lifetime with our company, or the time they spend with claims,” he says. “That is the way the digital world is going, that’s the way the customers are expecting it to be, so we are doing this mainly for the customers.

“And if we don’t do this, we know that the customer won’t select us to the degree that we want them to do.”

Amland says the result of using the software to send customers relevant communications at the right times has seen open rates increase, churn rates decrease, and savings in both time and money. One example was a recent Christmas campaign when customers were sent holiday-season communications that offered a glow-in-the-dark gift for children walking to school in the dark Nordic winters: these achieved open rates close to 80%. Amland says order rates for those gifts were high, each one providing an opportunity to deepen the relationship with that customer.

“We are also seeing that what we are doing is definitely having an impact when it comes to churn, when it comes to customer satisfaction, when it comes to the improvement of...the ability to upsell,” he says. “It does help us to reach our goals.”

Eventually, Amland says, the Scandinavian market is moving towards micromarketing and individual pricing of products—and he sees the importance of a good customer engagement solution, like the one from Pitney Bowes, as vital to deliver that level of personalized service. “We foresee a big future for this kind of system, and the kinds of functionalities that it is providing now and definitely will in the future,” he says.

INVESTING IN THE CUSTOMER EXPERIENCE— AND KNOWING WHY

BRIAN SOLIS IS THE PRINCIPAL ANALYST AT ALTIMETER GROUP, A SAN FRANCISCO-BASED CONSULTANCY AND INDEPENDENT RESEARCH AGENCY ON DISRUPTIVE TECHNOLOGY TRENDS.

You've mentioned before that too many companies fail to evolve in line with customer expectations and behaviors. Do you have examples of companies that are responding well?

Yes, absolutely. Sephora, for example, has opened up an innovation center in San Francisco as a way of trying to understand, and also test and learn, new processes, new products, new technologies that cater to the digital customer. You have General Motors, which is investing in an entire department around the digital customer experience. You have MasterCard creating a startup incubator, an investment arm, as a way of monitoring the trends and acquiring or partnering with [startups] to rapidly roll out new products and services that are going to attract younger customers, as a way of staying relevant.

All of these things you can bundle into one important trend, which is competing for relevance, because customer experience means something completely different to a 65-year-old than it does to a 25-year-old. If you think about some of the larger organizations or enterprises today, they're actually designed to operate for the 65-year-old customer, meaning that their business models are decades old.

So regardless of the approach or the audience, the central idea is all about putting the customer first?

Yes. But research shows that most companies that say they're customer-centric are actually not customer-centric. In my own research, I was looking at how companies are investing in the digital customer experience, and I had asked point-blank, "Are

you investing in the digital customer experience?” Eighty-eight percent of the companies said yes. Then the next question I followed up with was: “Have you invested in understanding who the digital customer is, and their behaviors, and what they want?” Only 25% said yes. My point is that most companies are trying to invest in the customer experience. Obviously 88% is pretty significant. Most of them don’t know why they’re doing it.

What are the consequences for companies that fail to understand the customer or lag in focusing on the customer?

Well, I refer to this as Digital Darwinism. That’s something I came up with that says technology and society evolve. What businesses have to consider is: how do they evolve?

The answer and what happens is dependent on the nature of the market they’re in. What could happen is that they just become irrelevant or that their relevance erodes over time because, at the very least, they open themselves up to disruption.

“MOST COMPANIES ARE TRYING TO INVEST IN THE CUSTOMER EXPERIENCE. MOST OF THEM DON’T KNOW WHY THEY’RE DOING IT.”

Brian Solis
Principal Analyst,
Altimeter Group

CONCLUSION

Customer engagement must be approached holistically. By itself, engagement is just one part of the greater whole of a customer's experience of a brand.

That said, there are strategies and technologies that fit well into an organization's holistic efforts. Ensuring the quality of customer data is a foundational step, one that can be followed with the deployment of tools that practically advance engagement—like CRM platforms to build 360-degree views of the customer, and interactive personalized videos to engage customers with easy-to-understand explanations of complex contracts.

Businesses typically accept that retaining existing customers costs less than acquiring new ones, but good customer engagement strategies help in both aspects: speeding up acquisition and improving retention, while increasing upsell and cross-sell opportunities.

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Robert Azcuy, Designer

RESEARCH

Ross Gagnon, Director
Kimberly Kurata, Research Analyst

SALES

North America
Brian McLeod, Commercial Director
bmcLeod@forbes.com
Matthew Muszala, Manager
William Thompson, Manager

EMEA
Tibor Fuchsel, Manager

APAC
Serene Lee, Executive Director

