The Role of Online Communities in ‘The Age of Customer Experience’
TABLE OF CONTENTS

Introduction 3
Why ‘CX’ is More Important Than Ever 4
Online Communities: A Platform for Honing Your ‘CX’ Strategy 5
- Real Time Intelligence 6
- Authentic Dialogue 8
- Trend Forecasting 9
Strong ‘CX’ Translates into Higher Profit Margins 10
Conclusion 11
It isn’t a coincidence that many of today’s leading brands have a recognizable approach to customer experience (CX). In an age of information overload and the constant onslaught of new digital media channels, it has never been harder or more valuable for a company to develop strong relationships with customers.

Over the past decade, companies like Zappos and Southwest have carved out leading market share positions by expanding their strategic focus beyond their specific product or service, analyzing every touchpoint along the customer journey, before and after the purchase. Online retail channels may have simplified the sales funnel into a one-click transaction, but the coordination needed to uphold that promise with consumers is now directly impacted by decisions made across marketing, IT, product design, supply chain, and other departments.

By meeting and exceeding customer expectations at every point in the consumer journey, companies can not only improve their acquisition and retention efforts, but also shift customers into the high-profit advocacy area of their consumer base. In this whitepaper, we’ll look at the importance of defining a cohesive and powerful approach to CX, and the ways that online communities can help achieve those goals throughout the organization.
Thirty years ago, there wasn’t a substantial difference between CX and the traditional realm of “customer service.” Consumer touchpoints were much fewer and more disparate, conducted in-person or over the phone. With retail representatives as the primary means of communication, a company that had sufficiently trained its workforce in the best practices of customer service could rest assured that any notion of a customer “experience” was successfully addressed as well.

Fast forward to today and that simple customer journey has been upended. Digital media has radically increased the number of customer touch points across countless social media platforms, e-commerce marketplaces, email inboxes, messaging apps, and more. Consumers are empowered with more choice, better information, and the ability to broadcast their affinity or disdain for your brand to the world wide web.

Zappos founder and CEO Tony Hsieh has said that “customer service shouldn’t just be the department; it should be the entire company” -- and that ethos reflects the emerging competitive landscape where CX has become a major differentiator across almost all industry verticals. Research from Gartner found that 89 percent of companies plan to compete primarily on the basis of CX by next year (compared with 36 percent four years earlier); 65 percent of those respondents said that their executive team already includes a Chief Customer Officer.

Companies have never before had such immediate access to consumers, but those new digital channels are also more complex and difficult to navigate. Investing in CX has provided many companies with a significant competitive boost, as industry research from Peppers & Rogers Group found that 81 percent of companies with strong CX capabilities continually outperform their competition. But it also won’t be long until a substantial investment in CX is part of the basic cost-of-entry for entering and succeeding in any new line of business.
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Crafting a new approach to CX is not only difficult to accomplish, but also properly define in the first place. Studies from Harvard Business School found that while 80 percent of companies believe they deliver a superior CX, only 8 percent of their customers agree.

Faced with a fragmented digital media landscape, consumer behavior is rapidly changing from one month to the next, and companies are looking for
REAL TIME INTELLIGENCE

Community environments can foster a uniquely powerful sample of any target audience, providing companies with a glimpse into how their customers think, make decisions, and interact with products, in real-time. By creating a space where a greater variety of customer interactions can occur more frequently, companies turbo-charge the speed at which they can test and receive feedback on new product or messaging ideas.

Online communities such as UPS Store’s Small Biz Buzz enable brands to rapidly generate insights from a core group of customers and continually refine their CX approach accordingly. Depending on the level of engagement with a particular product or service, these communities can also expand into other forms, such as Mercedes Benz’s iOS mobile app which enables brand advocates to participate in ideas, polls, and discussions with the manufacturer’s product planners and engineers.

AUTHENTIC DIALOGUE

Fresh thinking is a vital part of any successful brainstorming or ideation process. Incorporating outside perspectives often reveals challenges or opportunities that would have otherwise gone unnoticed, especially when those issues involve multiple departments across the company (as CX initiatives often do). Online communities directly inject the voice of the customer into the innovation process, ensuring that companies aren’t misinterpreting the needs and interests of their target market.

Many companies have begun using community-based projects to allow brand advocates to directly contribute to the development of a new product offering. Mountain Dew’s ‘Dewmocracy’ project enabled fans to nominate and vote on an array of new flavors, colors, names, packaging and advertisements. The initiative resulted in not only a customer-vetted product launch (called “Mountain Dew White Out”), but also a strong word-of-mouth campaign that spanned several social media networks and boosted overall product sales.
TREND FORECASTING

Creating a deeper dialogue with customers can also help prevent companies from being caught off-guard by shifts in consumer behavior or sentiment. Spheres of engagement like online communities offer a great way to monitor how customers’ mindsets change over time.

These environments can also help companies anticipate new trends and preferences before the competition does. This advantage is particularly powerful when a company is expanding into a new market or targeting a nontraditional audience. For example, the Hertz Hub online community proved to be a successful and cost-effective way for the car rental company to improve its engagement strategy with Millennial audiences who were looking to rent a car for the first time.
There are significant payoffs for companies that invest the time and money into building a well-honed CX strategy. When the customer journey is a smooth and enjoyable experience, companies ensure that they are capturing any potentially lost revenue streams in the near-term, and positioning themselves for new revenue opportunities in the long-term.

Unintended hiccups throughout the customer experience often result in forfeited sales, a major opportunity cost for companies. A survey conducted by American Express found that 78 percent of consumers have bailed on a transaction or not intended purchase because of poor service. For every CX-failure, brands also lose an average of 65% of the revenue they would have earned from the affected customer they would have earned during the following year.
Companies that employ a more customer-centric focus can also reap the added benefits of moving customers into the high-profit, high-advocacy area of the consumer base. A poll from Harris Interactive found that 9 out of 10 US consumers would pay more to ensure a superior customer experience, a highly successful strategy as seen in the growing revenues of companies like Starbucks, Amazon, and Spotify.

Strategically-deployed online communities reveal not only what steps are needed to improve the customer journey, but also what opportunities there are to exceed your customers’ expectations and convert them into brand advocates over time. Customers who engage with companies over social media or online communities have proven to be more loyal and spend up to 40 percent more than other customers in the long-term (according to Bain & Co).
CONCLUSION

The consumer journey will continue to expand and adapt across new channels in the coming years, further undermining traditional models of customer acquisition and retention. Amidst this complexity and fragmentation, CX has emerged as a significant competitive advantage, but it will also soon be a necessary core competence as consumer expectations continue to become more sophisticated.

In the burgeoning “age of CX,” the voice of the customer has become a vital reference point for new and more diverse departments across the organization. Major companies around the world are using online communities to listen to their target audience and incorporate customer-driven insights more efficiently into their overall strategy. The flexibility of these environments mean that stakeholders from many different kinds of teams can all generate the information they need from the same solution.

Industry research shows that companies who make an investment in CX will be rewarded with higher retention in the near-term, and greater loyalty and advocacy in the long-term. And by growing their base of engaged customers, these forward-thinking companies are also positioning themselves for a future where the customer journey will likely still be undergoing transformations as radical and disruptive as the ones being experienced today.