

# Online Communities Provide Value beyond Call Deflection

The ROI of Online Communities Includes Revenue Generation, Cost Savings and Employee Productivity



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## Purpose and Intent

This report examines the value that online communities can provide to a company. It has long been accepted that cost savings, like call deflection in customer service, represent a major reason to build an online community. But there are other major reasons for creating online communities. This paper looks at six areas of value that online communities can bring to the economics of a company. A business considering an online community can use this document for discussion and planning as it considers how the business can benefit from an online community.

This report offers insights into four of Constellation's primary business research themes, Next-Generation Customer Experience, Digital Marketing Transformation, Matrix Commerce and Data to Decisions.

## Executive Summary

The expectation of the value of an online community is often associated with cost savings – just as call deflections can reduce the costs of customer service. While many cost savings are possible, there also are six major areas through which an online community can contribute to a company's revenue, profits and margins. The six areas are: increased revenue through new products and services; enhanced communications, marketing and public relations; improved employee engagement; better business cost efficiencies; expanded business value in customer service; and heightened senior leadership and board member business guidance. With this paper as a guide, leaders can create a basic blueprint to embark on a discussion about whether to create an online community, the value the community can provide, and how best to lead this key strategic initiative in their organization.



# The Value of Online Communities Has Long Been Underestimated

When a company is deciding on whether or not to build an online community, budget considerations are a key priority. Executives want to know the value the community will bring to the brand and, unless some out-of-the-box thinking has been applied, they may not realize the tremendous value that communities are providing hundreds of companies today. Three common misconceptions include:

- 1. Communities can save money by removing agent costs.** The company may just think of a community as a cost-saving device for customer service. This way of thinking about online communities is limited and does not include all the ways a community can contribute to making a company more agile, innovative, and profitable.
- 2. Communities do not require large budgets.** Like any worthwhile endeavor, communities do require budget for an engagement strategy, a community platform, content for the community, community managers as well as brand advocates. Digital and social media are not free; communities also fall into that category. They require skilled staff members who know how to set up a community, engage an audience and keep it engaged. Depending on the size of the community, at least one full-time person is needed to manage the community.
- 3. Communities do not affect the top line.** Over 100 examples <sup>1 2 3 4 5 6 7</sup> show that strong online communities strengthen the brand while helping to nurture loyal customers, drive higher margins, and improve life time profitability, revenue and profits.

## Proper Calculation of the Return on Investment Determines the Real Value of Online Communities

Often, when calculating the return on investment (ROI) of an online community, there has not been an extensive and expansive way to think about the intrinsic value the community brings and then accurately represent that value in revenue and cost savings. The ROI of online communities includes key factors such as revenue generation, enhanced corporate communications, improved employee engagement, cost savings, expanded business value, and improved senior leadership guidance. Here is a look at how these six factors contribute (see Figure 1):

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<sup>1</sup> <http://www.zdnet.com/article/online-communities-learn-new-lessons-and-report-business-roi/>

<sup>2</sup> <https://hbr.org/2009/04/getting-brand-communities-right>

<sup>3</sup> "Relationships in Online Communities: The Potential for Marketers", Sarah Quinton and Sally Harridge-March, The Business School, Oxford Brookes University, Oxford, UK, Journal of Research in Interactive Marketing, Vol. 4 No. 1, 2010, pp. 59-73 Emerald Group Publishing Limited, [www.emeraldinsight.com/2040-7122.htm](http://www.emeraldinsight.com/2040-7122.htm)

<sup>4</sup> <https://www.linkedin.com/pulse/creating-sustainable-online-communities-rethinking-roi-bill-johnston>

<sup>5</sup> <http://www.leadernetworks.com/2014/01/online-community-roi-redefined.html>

<sup>6</sup> <https://hbr.org/1996/05/the-real-value-of-on-line-communities>

<sup>7</sup> <http://www.communityroundtable.com>



**Figure 1. Six Areas Where Online Communities Contribute to ROI and the Top Line and Bottom Line Success**



## **1. Driving Additional Revenue from New Products, Services, Lines of Business and Customer Lifetime Value.**

Enhanced revenue can come through feedback and interactions only possible in a community environment where various stakeholders are given the opportunity to interact. This creates unprecedented synergy that would not be possible without a platform where ideas are exchanged, shared, commented on and built upon and developed interactively. Below are some of the ways that online communities add value to revenue growth:

- Increasing revenue from the **creation of new products** coming from input by customers in the customer service/experience interaction (feedback)
- Increasing **customer lifetime value** by boosting the amount and frequency of purchase per customer lifetime
- Generating revenue through **new customer acquisition** stemming from increased market awareness due to brand ambassador's engagement
- Driving revenue from **incremental innovation of a product or service** through internal stakeholders collaborating more effectively
- Generating revenue by **developing new business models** by creating new products and services
- Generating **new applications or uses for existing technology, products and services**; i.e., moving them from core business to adjacent markets



## 2. Enhancing Corporate Communications, Marketing and Public Relations

The point of PR and marketing is to bring awareness and interest in a brand's products and services. And by doing so, these departments have the potential to help differentiate customers' experiences. As part of the customer experience funnel, the customer's ability to find answers to questions makes all the difference between staying on your online presence or going into your brick-and-mortar store and buying versus not buying. Some of the ways that better communications, marketing and PR can drive value in communities include:

- Increasing **SEO and traffic** to a brand's online presence
- Increasing **brand awareness**
- Increasing **earned media**
- Enhancing **target marketing messaging**
- Increasing **new customer acquisition**
- Increasing **leads and lead conversion rates**
- Enhancing or replacing all or part of the **market research budget**
- Enhancing **brand equity and reputation** or reducing and preventing brand damage in the case of a PR mishap
- Providing **social CRM data** for remarketing to target customers
- Decreasing **pay per click costs**

## 3. Increasing Employee Engagement, Leading to Higher Productivity and the Ability to Attract and Retain Talent

Employees are key to getting things done in a company. Having an online community helps to develop a relevant, genuine and authentic culture that attracts top talent. Company cultures where people can be open and honest help to retain top talent. And great talent is key to running an effective and efficient company while providing excellent customer experience. Below are some of the ways that great online communities add value by increasing employee productivity and engagement:

- **Cost savings** due to the reduction in employee attrition stemming from increased feelings of being heard, acknowledged and appreciated and being able to participate in the company and supporting its customers. Employees have a sense of job satisfaction that comes from being part of a strong, supportive community of





employees (i.e., great employee experience can drive a sense of community and brand advocacy)

- **Increased productivity** due to current employees being part of a **positive, innovative culture** at a company
- **Increased productivity** due to **intuitive tools**, such as technology that suggests next best actions, that make it easier for current employees to do their jobs and be more satisfied and motivated
- **Increased productivity** due to **faster employee onboarding times and reduction in training time** to get them up to speed on the processes and technologies as well as an understanding of how people work together
- Revenue potential increase due to **the ability to attract and retain top talent** that can boost business and improve the way things are done

## 4. Improving Business Cost Efficiencies

More productive, cost-effective ways of getting business done are key to driving better cost efficiencies. Below are some of the ways that online communities add value by reducing costs in a company:

- **Reducing the number of support requests** by providing self-service answers wherever the customer is (e.g., help center, in-app support)
- **Decreasing employee training costs** by providing a place for employees to find information, be mentored, ask questions, and learn from more experienced and senior employees
- **Shrinking the cost of creating new products/services** with a more agile product development process from better collaboration among employees and other stakeholders that participate in the community such as customers, partners, and resellers
- **Improving an existing process or eliminating redundant processes** or steps by getting input from customers and employees
- **Lessening the cost of products and services that fail in the marketplace** because the company got feedback from the customers and other stakeholders who participate in the community
- **Diminishing the cost of bugs or flaws in the products or services** through receiving feedback from employees, customers and other stakeholders



## 5. Expanding Customer Service Business Value

The point of customer service in this new era of customer experience and online communities is to drive exceptional, differentiating customer experiences. As part of the customer experience funnel, customers' ability to get the support they need determines their willingness to become an advocate, make referrals and stay a loyal customer for long periods of time. Below are some of the ways that online communities add value to customer service:

- **Reducing call volume or call deflection** (especially of simple issues and concerns)
- **Reducing staff requirements** (being able to serve more customers without having to add more customer service agents)
- **Increasing first contact resolution** (FCR)
- **Increasing agent productivity** (reducing average handle time or average work time by automating steps within the workflow to save seconds/minutes on each interaction)
- **Increasing customer satisfaction and reducing churn**
- **Increasing customer lifetime value** by boosting customer purchases through upsell and cross-sell
- **Increasing customer advocacy** by boosting customer referrals

## 6. Heightening Senior Leadership and Board Member Business Guidance

Executives are often insulated from both their own customers and their staff's thoughts and opinions. The participation in online communities is direct, honest and to the point. Having access to this type of feedback can provide a unique, unbiased, and authentic sharing of ideas, questions and opinions that executives can use to shape their tactical and strategic company direction. Below are some of the ways that online communities add value to the executive suite:

- **Crystalizing the strategic direction of the company** by getting unfiltered customer, employee and other stakeholders' feedback
- **Understanding the competition better** by getting open feedback and comment from customers and others with experience in the overall marketplace
- **Making corrections or changes quickly** by getting input from the community before problems affect products, services and the bottom line





- Understanding employee, customer and other stakeholders' feedback to **create a more innovative, open culture** that truly takes into consideration the issues and concerns that are key to creating motivated, productive employees

## Recommendations and Next Steps

As you evaluate whether to start an online community, there are some recommendations and best practices that help to ensure that the potential value of an online community is actually realized. If companies don't follow best practices, they can find themselves disappointed in the value the community provides and begin to think that communities don't provide ROI. Make sure to review the recommendations and next steps below and immerse yourself in community best practices:

- 1. Determine Your "Current" State.** As you read through the various areas of value creation and/or cost savings, determine whether your company currently has that capability, how it accomplishes it, and the costs. Bring in stakeholders from various departments, as the value of communities varies across a wide range of functions and departments. It's important to invite all the possible stakeholders to the table to have this discussion and to show them what the possible value can be for them. Nobody likes being left out of a decision and asked later to contribute to budget or staff. That is an organizational change management no-no.
- 2. Determine Your "Future" State.** After listing the various ways your company currently either generates revenue and/or reduces costs, list some of the new ways your company could be doing those things in the future - in other words, your future state. Once your group of multi-disciplinary stakeholders has seen what the future state possibilities are, next comes the difficult question of budget. Who is going to pay for the initiative? Hopefully, with the extremely obvious benefits to a business, budget for an online community will not be a limiting factor.
- 3. Determine the Gap Between Your "Current State" and Your "Future State."** Now that you can see what you currently are doing and have compared that to what an online community could provide, you have a good analysis of what might be missing. This is your "gap" analysis. By looking at this gap, you should be able to determine the added value a community could provide for your company. By now you should have had the difficult conversation of who is going to contribute to the budget of the community. Often, companies will create a center of excellence, where stakeholders from various departments form a team that not only shares the costs, but also provides staff and content. Communities that have complete participation from many or all departments are among the most successful. It is especially important to have senior executives not only listen to the conversations in the community, but to also post their responses. This may take coordination and planning, but there is nothing more satisfying than to see a senior executive talk to clients. It provides a level of transparency, trust and relevancy that can't be obtained any other way.



## Disclosures

Your trust is important to us, and as such, we believe in being open and transparent about our financial relationships. With our clients' permission, we publish their names on our website.



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### Business Strategist and Disruptive Technologies Expert

Dr. Natalie L. Petouhoff can be reached at [Natalie@ConstellationR.com](mailto:Natalie@ConstellationR.com).

As part of a Silicon Valley research firm, Dr. Natalie, whose research focuses on Next-Generation Customer Experience, Digital Marketing Transformation, and Data to Decisions, expands Constellation Research Inc.'s ability to provide practical business and leadership transformation research/solutions to its early adopter clients worldwide. She provides companies with solutions that drive increased customer lifetime value and digital/social/traditional software return on investment (ROI) and a commitment to the most comprehensive analysis of disruptive technologies that drive real business results.

As a Vice President and Principal Analyst at Constellation, Dr. Natalie was voted one of the top Customer Experience Professionals and Top Social Customer Service Professionals. She works with Fortune 100 and 500 senior leadership teams to create strategic marketing and customer experience solutions along with Big Data insights to inform programs to engage customers, build brands and grow businesses.

Dr. Natalie uses her experience to leverage her diverse experience, holding roles in Marketing/PR, Sales, Customer Service, Customer Experience and Product Innovation — to provide down-to-earth guidance, with a strong cross-functional point of view for clients looking to integrate and leverage their people, process and technology across their company. She is among the few analysts that not only spent her career as an analyst, but also has held these positions in various organizations outside of analyst firms.

Combining her experience as a chief strategist for a social and digital marketing agency, Forrester software analyst, PwC software systems integrator and change management consultant, Dr. Natalie guides executive think tanks in open discussion about how the C-suite can take ownership of technology decisions and transform them into initiatives designed to derive ROI from customer and social media engagement.

Dr. Natalie provides clients insights and delivers analysis as well as provides much-needed training, education, and advice. Her cross-functional expertise is needed for clients who want to dominate digital disruption.

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## About Constellation Research

Constellation Research is an award-winning, Silicon Valley-based research and advisory firm that helps organizations navigate the challenges of digital disruption through business models transformation and the judicious application of disruptive technologies. This renowned group of experienced analysts, led by R “Ray” Wang, focuses on business-themed research, including Digital Marketing Transformation; Future of Work; Next-Generation Customer Experience; Data to Decisions; Matrix Commerce; Safety and Privacy; Technology Optimization and Innovation; and Consumerization of IT and the New C-Suite.

Unlike the legacy analyst firms, Constellation Research is disrupting how research is accessed, what topics are covered and how clients can partner with a research firm to achieve success. Over 350 clients have joined from an ecosystem of buyers, partners, solution providers, C-suite, boards of directors and vendor clients. Our mission is to identify, validate and share insights with our clients. Most of our clients share a common trait - the passion for learning, innovating and delivering impactful results.

## Organizational Highlights

- Founded and headquartered in the San Francisco Bay Area in 2010.
- Named Institute of Industry Analyst Relations (IIAR) New Analyst Firm of the Year in 2011 and Number One Independent Analyst Firm for 2014 and 2015.
- Serving over 350 buy-side and sell-side clients around the globe.
- Experienced research team with an average of 25 years of practitioner, management and industry experience.
- Creators of the Constellation Supernova Awards – the industry’s first and largest recognition of innovators, pioneers and teams who apply emerging and disruptive technology to drive business value.
- Organizers of the Constellation Connected Enterprise – an innovation summit and best practices knowledge-sharing retreat for business leaders.
- Founders of Constellation Executive Network, a membership organization for digital leaders seeking to learn from market leaders and fast followers.

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