

A black and white photograph of a man and a woman sitting at a table in what appears to be a library or study room. The woman, wearing glasses and a patterned sweater, is looking down at a book she is holding. The man, wearing a suit, is looking towards her. They are surrounded by books and plants.

2016 Convero Customer Engagement Study

CUSTOMER LOYALTY, SALES AND PROFITS

How formal engagement programs impact
business performance and retention

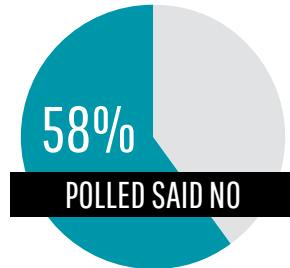


Executive summary

The explosion of digital channels has rewritten the book on how we interact with customers. From email to web to social media, companies have learned to leverage these tools for formal lead generation programs. However, a new study by Convero shows that many companies have failed to use them for customer retention. What's more, it reveals a clear disconnect between the importance companies place on customer retention and the actual efforts they make to keep customers.

Convero surveyed CEOs and senior sales, marketing and customer service managers to find out what they are doing to engage and retain their customers, and the results of those efforts. It found that even though most companies value customer retention, they fail to put that knowledge into action with a formal customer engagement program. By a 2-to-1 margin, executives ranked customer retention above acquiring new customers as the most important tool for driving profitable growth. Yet 58% of those same executives said that their companies don't have a formal customer engagement program in place, and 60% did not know how many customers they had lost in the last year.

DO YOU HAVE A FORMAL
CUSTOMER ENGAGEMENT
PROGRAM?



The good news is, the results also uncovered a compelling link between companies that have a formal customer engagement program and increased customer loyalty, sales and profits. Overall, executives who said they fully engage their customers through a formal engagement program reported better performance than those with no organized plan. [TABLE 1]

ASPECT	FORMAL PROGRAM	NO FORMAL PROGRAM
Know how many customers lost last year	60%	30%
Very effective at retention	42%	23%
Lost less than 5% of customers last year	67%	59%
Lost more than 20% of customers last year	0%	20%
Plan to increase spending on CE	80%	70%
CE spend as % of marketing budget	60%	22%

[TABLE 1]

Formal engagement programs improve customer retention

Convero's survey showed striking differences between companies that have formal customer engagement programs and those that do not. For starters, a majority of companies with a formal program (60%) knew how many customers they lost last year, while half as many companies without a program knew that number.

More important, having a formal engagement program had a clear impact on customer retention, the survey showed. Among companies with such a program, 42% said their retention efforts were "Very Effective," while only 23% of companies without a formal program said the same.

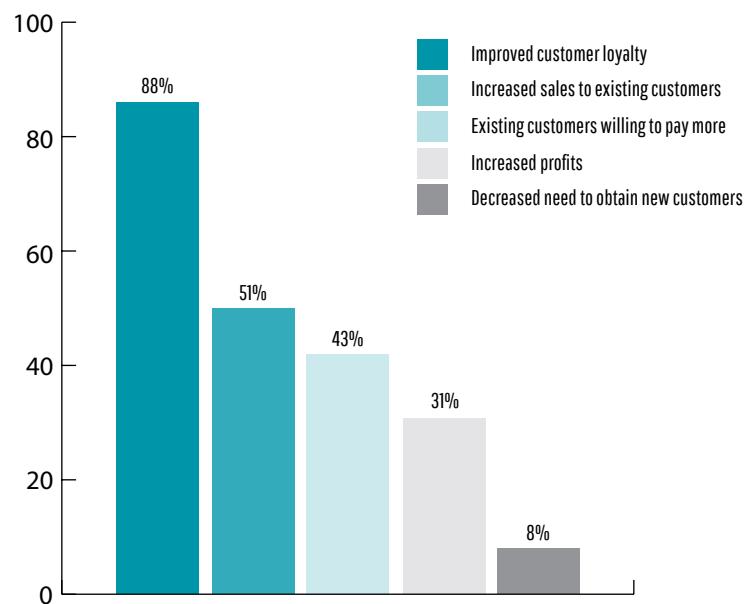
[GRAPH 1] Not surprisingly, those without a program were 6 times more likely to say their customer retention efforts were "Somewhat Ineffective" or "Very Ineffective."

The survey also looked at how having a formal customer engagement program impacts overall business performance.

[GRAPH 2] Companies that have a program in place said their efforts drove significant increases in:

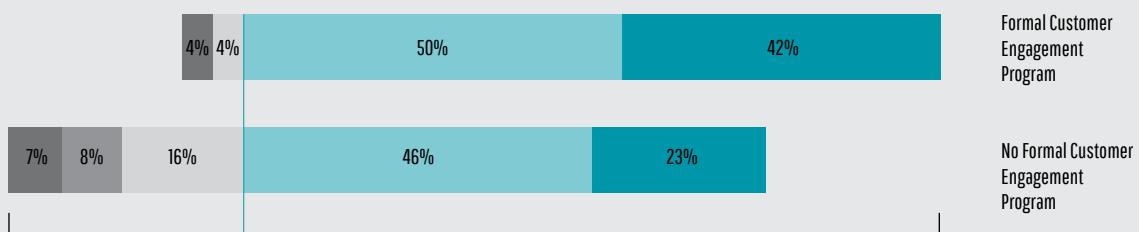
- Customer loyalty
- Sales to existing customers
- What customers are willing to pay
- Profits

WHICH OF THE FOLLOWING HAVE YOU SEEN AS A RESULT OF YOUR CUSTOMER ENGAGEMENT PROGRAM?



HOW EFFECTIVE ARE YOUR EFFORTS TO KEEP YOUR CUSTOMERS?

Don't know Very ineffective Somewhat ineffective Somewhat effective Very effective



[GRAPH 1]

Attitudes toward engagement tools

One of the survey's more revealing insights was how companies view the effectiveness of different engagement tools. Respondents at companies with formal engagement programs showed greater satisfaction with traditional tools, such as email and direct mail, while those without a program were happier with the newer channels, such as social media and texting.

[TABLE 2]

The table to the right shows the percent of companies in each category that rated the tool "Very Effective."

TOOL	PROGRAM	NO PROGRAM
Email newsletter	22%	9%
Direct mail	14%	7%
Events/Contests	19%	7%
Loyalty programs	11%	7%
Ongoing surveys	18%	5%
Social media	12%	14%
Text messages	2%	4%

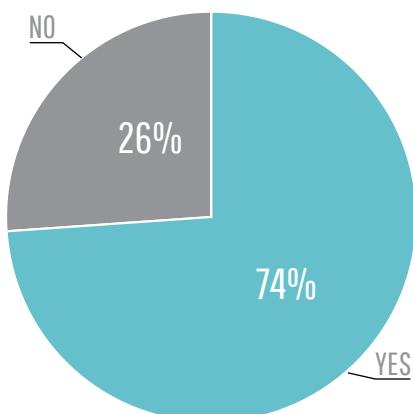
[TABLE 2]

Spending on the rise

While less than half of the companies surveyed said they had a formal customer engagement program, interest in the topic clearly is on the rise. Among survey respondents with budget knowledge, 74% said their companies intend to spend more on customer engagement in the next 12 months. [GRAPH 3]

That willingness to spend was strongest at companies with a formal engagement program – 80% said they intend to spend more – but also was strong among those without formal programs, as 70% said they expected to boost spending.

DO YOU INTEND TO SPEND MORE MONEY AND TIME ON CUSTOMER ENGAGEMENT PROGRAMS IN THE NEXT 12 MONTHS?



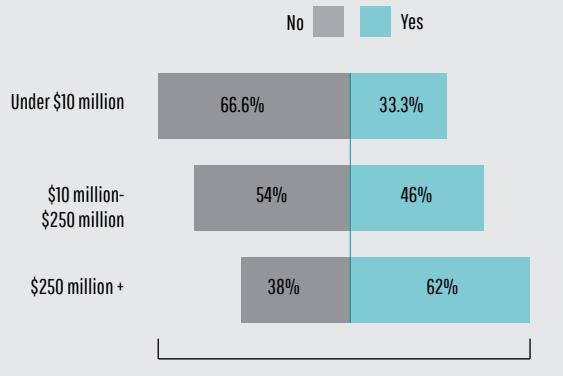
[GRAPH 3]

Size matters

Not surprisingly, big companies were far more likely to have a formal customer engagement program than smaller companies. Among companies with less than \$10 million in sales, only 33% of respondents said they had a program, compared with 54% of mid-sized firms (\$10 million to \$250 million in sales) and 62% of companies with more than \$250 million in sales. [GRAPH 4]

Despite not having formal programs, the smaller companies appear to be more in tune with customer loss: 57% indicated they knew how many customers they lost last year. By comparison, 43% of mid-sized companies and 37% of large companies knew that figure.

DO YOU HAVE A CUSTOMER ENGAGEMENT PROGRAM?



[GRAPH 4]