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The ROI Of Online Customer Service Communities

by Natalie L. Petouhoff, Ph.D.

for Business Process & Applications Professionals



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A Total Economic Impact™ Analysis Uncovers Big Benefits From Social Technologies

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EXECUTIVE SUMMARY

Consumers are rapidly adopting social media communication technologies and behaviors. Customer service professionals are beginning to look at incorporating these collaborative tools to deliver better customer experiences at a lower cost. This approach seems to have great promise; however, there is little documentation at present on the cost-effectiveness of incorporating social strategies and technologies for businesses. Forrester talked with early-adopter companies and reviewed the solutions from leading vendors to understand the variables to consider for determining the business value of online communities for customer service and support. The early evidence indicates that social technologies are a sound choice because they provide an attractive ROI in a short period of time while delivering better customer experiences.

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Forrester interviewed and studied more than 20 companies, including AlterPoint, Carphone Warehouse, DIRECTV, Fair Isaac, Helpstream, Infusionsoft, Intel, iRobot, Jive Software, Lenovo, Linksys, Lithium Technologies, Logitech, NetApp, nGenera, OS/soft, Palm, Parature, Pitney Bowes, RightNow Technologies, Sage Software, SanDisk, Seagate Technologies, Sprint, Symantec, Telligent, and Verizon. We used this information to create an ROI model based on Forrester's TEI analysis framework.

Related Research Documents

"CRM 2.0: Fantasy Or Reality?"

November 13, 2008

"The ROI Of Interactive Chat"

February 4, 2008

"Calculating The ROI Of Blogging: A Case Study"

January 24, 2007

ORGANIZATIONS VENTURE DOWN THE SOCIAL COMPUTING PATH FOR CUSTOMER SERVICE

Online communities, a collection of people who want to share their knowledge, perspective, and solutions, have evolved and grown over time.¹ Now, mainstream companies like AlterPoint, DIRECTV, Infusionsoft, Intel, iRobot Verizon, Lenovo, Linksys, Logitech, NetApp, and Sage Software are using communities for customer service (see Figure 1). This partial list may give the faint of heart a reason to consider using social technologies, but it alone doesn't answer the question, "What's the ROI?"

As social technologies have become more visible, more companies want to understand what their peers have done.² They want to know what advantages online communities provide to customer service over traditional interaction channels. Some companies have been supporting communities with informal budgets and borrowed resources and would like to justify the investment. Customer service professionals want to understand the business justification for emerging social media — i.e., how it will affect customer service experiences and their firm's bottom line.³

Figure 1 Some Companies That Have Deployed Customer Service Online Communities

1-1 B2C companies that have deployed online customer service communities

Company	Customer service online community	Community provides a place for . . .
Verizon	http://forums.verizon.com/vrzn/	Peer-to-peer support in which users help others with residential, wireless, and SMB products and services
iRobot	http://irobothome.lithium.com/irobothome/	Useful information; discussion of products, the ever-changing world of robotics, and sharing stories
Lenovo	http://forums.lenovo.com/lnv/	Users to share experiences and expertise in a high-quality atmosphere
Linksys/Cisco	http://forums.linksys.com/	Users and customers to exchange ideas, tips, information, and techniques related to the services
Logitech	http://forums.logitech.com/logitech	Colleagues to increase efficiency, answer problems, heighten knowledge, and support innovative product usage
Palm	http://forums.palm.com/palm/	Customers to discuss support topics, learn, and post questions, as well as answers
SanDisk	http://forums.sandisk.com/sansa/	Users to gather as a community to share thoughts, ask questions, look for answers, give suggestions, and learn
Seagate Technology	http://forums.seagate.com/stx/	Sharing ideas, tips, questions, answers, experiences; getting technical support
Sprint	http://forums.buzzaboutwireless.com/baw/	Wireless enthusiasts and customers to help each other in using wireless products and services
Symantec	http://community.norton.com/norton/	Customers and employees to discuss products and topics, from system tuneup to scrubbing malware from PCs
DIRECTV	http://forums.directv.com/pe/index.jsp	Getting help with technical questions, from system setup to features on the remote control

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Source: Forrester Research, Inc.

Figure 1 Some Companies That Have Deployed Customer Service Online Communities (Cont.)

1-2 B2B companies that have deployed online customer service communities

Company	Customer service online community	Community provides a place for . . .
(ACT!) Sage Software	http://community.act.com/sage/	All users of ACT! to share, learn, and support each other on a broad spectrum of topics
Intel	http://communities.intel.com/index.jspa	Sharing, collaborating, and innovating with industry technology enthusiasts
SAP	https://cw.sdn.sap.com/index.jspa	Enabling collaboration between SAP, its customers, and its partners to accelerate co-innovation
AlterPoint	https://alterpoint.helpstream.biz/	Self-service, asking questions, and sharing answers
Pitney Bowes	http://forums.pb.com/ptnb/	Discussing issues related to equipment and to mailing and marketing business in general
Infusionsoft	https://infusionsoft.helpstream.biz/	Networking online, getting connected, and sharing and growing your business
LANDesk Software	http://community.landesk.com/support/index.jspa	Collaboration with experts, to share ideas and find solutions
NetApp	http://communities.netapp.com/index.jspa	An open forum for technical experts around the world
National Instruments	http://decibel.ni.com/content/community/zone	Collaborating on code, sharing development techniques, and learning about cutting-edge technologies via a global community of engineers and scientists

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Source: Forrester Research, Inc.

FOUR FACTORS DETERMINE THE ROI OF ONLINE CUSTOMER SERVICE COMMUNITIES

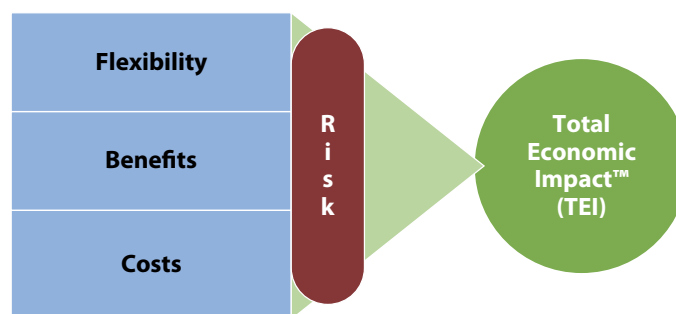
While it is not possible to calculate a precise ROI for the use of social media for customer support for every scenario possible, knowing whether the business impact of customer service online communities is positive or negative goes a long way to legitimize the investment in social media. To put a stake in the ground, Forrester interviewed more than 20 companies, experts, and vendors to learn about a range of deployment factors. With that information and a simplified version of Forrester's Total Economic Impact (TEI) methodology, we built a model to determine the impact of social media on a company with a small to medium-sized contact center.⁴

Our initial investigation shows that the model will also work for companies with larger contact centers (i.e., large call volumes) and that the benefits fall into similar categories as the small call volume centers. Some of the assumptions for large centers must be adjusted for factors that only very large volume centers experience; even so, the benefits — regardless of the size of call volume — are direct and continue to grow over time as the community grows.⁵ Using our TEI methodology, companies can calculate the impact of social media on their businesses (see Figure 2).

The TEI methodology provides a road map to systematically consider:

1. **Benefits.** How will your company benefit from customer service online communities?
2. **Costs.** How much will your company pay, both in hard costs and resources, for customer service online communities?
3. **Risks.** How do uncertainties change the total impact of customer service online communities on your business?
4. **Flexibility.** How does this investment in customer service online communities create future options for your organization?

Figure 2 Forrester's Total Economic Impact™ (TEI)



Key Benefits: Reduced Cost To Service Customers

Organizations implementing customer service online communities can expect a range of benefits that stem from reducing the cost to serve customers and more effective use of self-service channels. The scale, timing, and duration of these benefits can be estimated by considering key metrics and the value to the organization of improving those metrics over time (see Figure 3). Benefits might include:

- **Reduction in agent-assisted interactions.** Rather than engaging with a contact center agent via the phone, for instance, a certain percentage of customers may resolve their issues in the online community with no or little interaction from your company. Trends show that call volumes decrease after the deployment of the community. For instance, customers in a laptop community found answers to questions in the community to be more current and more accurate than what customer service agents might have access to. This is in part due to the fact that many of the product “use” type questions aren’t known to the company, thus aren’t part of the standard knowledge base or FAQs. Super users in the community often are the ones that have the product expertise to solve some of the most difficult customer questions.⁶ The value of call deflection can be measured by looking at call volumes before and after the community is deployed; the savings are measured by multiplying the cost per call by the number of calls deflected.
- **Increase in first-contact resolution (FCR).** FCR is when the customer’s inquiry or issue is solved in one contact, i.e., the customer doesn’t recontact the company regarding the same issue. FCR is an important metric because it’s an indicator of customer dissatisfaction, their propensity to repurchase, as well as higher operational costs. The savings from increasing FCR can be measured by multiplying the reduction in the volume of repeat calls times the cost for a tier two agent.
- **Increase in agent productivity.** Research shows that agent productivity increases with access to the content in community postings. The reason is that the traditional content developed for knowledge management databases is based on “known” problems or customer issues and their “known” solutions. However, research shows that more than 90% of customers’ issues haven’t been unearthed, and the organization doesn’t have answers for them.⁷ These “exceptions” lead to long support calls, poor FCR, agent stress, and customer dissatisfaction.⁸
- **Reduction in agent-assisted email.** The jury is still out on whether agent-assisted email is an effective support channel, providing experiences that gain and retain customers. In some instances, it can be effective. A growing number of companies with customer service online communities are finding that they can replace all or part of their email support channel with the community, and the result is much higher customer satisfaction and first-contact resolution rates. The savings from reducing the use of the agent-assisted email channel can be measured by evaluating the reduction in cost to process email.

- **Increase in product ideation.** Companies struggle with how best to conduct voice-of-the-customer studies and assemble that information into actionable tasks for all of the affected departments in an organization. While it's not traditionally the job of customer service to provide product ideation, traditional customer service models shunt the dissemination of the information that is gathered on a daily basis to say, product development engineers, as it remains stored in the minds and case management systems of agents. As customers describe their customer service and/or product-related experiences in community postings, they provide critical information on how a product or service “would be better if . . .”
- **Increase in relevant Web site content and reduced search engine optimization (SEO) costs.** Companies are seeking to increase their search engine optimization results in an “organic” way, meaning they want to reduce the cost to obtain a higher ranking in search engines. This is based on the consideration that search engine spiders and algorithms are based on relevancy rankings. The content in the community is more relevant than FAQs or knowledge base articles.⁹ This is, in part, because the voting/ranking systems offered by the community technology vendors allow community users to “vote” on the relevancy of the content. If the content in the community is voted on, search engines rank it higher. That way, when a client does a Google search, that company community is more likely to show up higher on the search engine results page. Savings from implementing online social communities can be attributed to the reduced amount paid per month for paid SEO.
- **Increase in customer retention and customer lifetime value (CLV).** When customers receive poor service, they tend to stop buying from that company. On the other hand, research shows that community users are more satisfied customers, more likely to recommend products to others, so their influence is large and they are less likely to defect to competitors.¹⁰ In essence they buy more, to the tune of up to 40%; they also buy more often, and for longer periods of time than noncommunity users.¹¹ While there are a number of complicated formulas for calculating CLV, the benefit of higher customer lifetime value can be measured by multiplying the number of community members by the increment in the amount they spend.¹²

Figure 3 Examples Of Key Benefits Of Online Customer Service Communities

Dimension	Online customer service communities help by providing . . .
Reduce the volume of contact center calls	Effective self-service on the Web site
Increase first-contact resolution rates	User-based answers that have been proven to work
Increase agent productivity	Better answers so that agents can answer more questions per hour
Reduce email as an interaction channel	Better self-service on the Web site
Improve product ideation	Voice-of-the-customer input to products and services for continuous, measurable improvement
Improve the Web site’s search engine optimization (SEO)	More relevant content for search engine spiders and algorithms
Increase customer lifetime value (CLV)	More loyal customers that spread “positive word of mouth”, buy more, and buy more often for longer periods of time

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Source: Forrester Research, Inc.

Key Costs: People, Process, And Technology Startup And Recurring Costs

Organizations implementing customer service online communities can expect the some startup and recurring costs, detailed below, when deploying a software-as-a-service (SaaS) social media vendor solution. Although there are some on-premise community offerings, we only evaluated a SaaS deployment. The costs can be divided into three categories: technology, people, and process management (see Figure 4).

Figure 4 Key Costs Of Online Customer Service Communities

Project phase	Key costs
Startup: technology	<ul style="list-style-type: none"> • Creating the skin for community to match the corporate Web site • Creating a user registration and sign-in procedure • Connecting the agent desktop and the knowledge management system to the company's Web site and community • Evaluating and improving knowledge management and search capabilities • Integrating the community so that marketing has access to the community and can participate • Integrating the community so that sales has access to the community and can participate
Startup: people	<ul style="list-style-type: none"> • Project manager who oversees the community project • Community manager who is the operational owner of the community • IT resources that oversee and coordinate the integration with the company's IT infrastructure and systems • Training for key personnel in community best practices
Startup: process	<ul style="list-style-type: none"> • Marketing and launch promotion for the community • Creating the community plan and developing community policies
Recurring: technology	<ul style="list-style-type: none"> • Yearly license fee for a leased platform (SaaS model) • Analytics package to measure key performance metrics • Reporting capability for analytics
Recurring: people	<ul style="list-style-type: none"> • Community moderator • Community owner who is the operational owner of community • IT resources for ongoing IT infrastructure support • Knowledge management manager to update KM content
Recurring: process	Ongoing marketing and promotion to continuously engage super users and community members

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Source: Forrester Research, Inc.

Technology Startup Costs

The technology costs are a combination of the community technology and upgrading your current contact center or Web site technologies. The following represent typical startup technology costs:

- **Community Web site design.** These costs are related to creating an initial “skin” for the community pages so that they are seamlessly incorporated into the corporate Web site. Depending on the complexity of the Web site, the points of integration, and whether it was developed with open source or proprietary software, costs will vary.
- **Community single sign-on (SSO).** SSO provides a single sign-on for customers so that they don’t have to remember multiple passwords. The cost of SSO can vary depending on if it has an active directory or security modeling.
- **Integration to the contact center.** While the community is a new interaction channel for most organizations, it should be integrated with the other customer interaction channels to provide consistent cross-channels experiences. There are initial costs for integrating the community to the agent desktop, the knowledge management system, and the company Web site.
- **Integration to knowledge management/FAQs/search.** The advent of a community may prompt a review of the current knowledge management (KM) capabilities. Depending on the current condition of your KM database, the company may or may not incur some costs in this category. The addition of a community might be the time to upgrade your KM capabilities, clean up knowledge base articles, and/or add advanced search capabilities like natural language processing, or intent- or reasoning-based query technology to provide better search results.
- **Integration to the marketing management system.** Integration of the community so that marketing representatives can participate depends on the community platform you choose and your marketing management system. Companies will want to treat the customer life cycle to include marketing, sales, and customer service as cohesive organizational assets versus siloed departments with separate MBOs so as to increase CLV.
- **Integration to the sales management system.** Integration of the community so that sales reps can participate depends on the community platform you choose and your sales system. Because customer service has become the “new sales”, companies must approach marketing, sales, and service as an integrated capability to increase CLV.

People Startup Costs

As with any technology deployment, the “people” part of the costs is as or more important than the technology. You might have the right technology, but without the right people to deploy and use it, it has little real value. Below are typical “people” startup costs:

- **Training.** Training on how to manage the community platform, moderate, and participate in a community is critical to its success. Generally there are at least six people that need to be trained: the community manager, the community moderator, IT, the customer service director, and at least two customer service agents.
- **Project manager.** The project manager oversees the design and implementation of the social community initiative. The cost of his or her participation needs to be accounted for.
- **Community manager.** The operational owner of the community manages the community on a day-to-day basis, and the cost of his or her participation needs to be also needs to be accounted for.
- **IT support resources.** These resources are responsible for integration with the company's current IT infrastructure and systems and providing ongoing support, as required.¹³

Process Management Startup Costs

Deploying social media means that some of the ways you currently do business are going to change. Below are some of the changes or additions you will need to make to your current processes:

- **Marketing and launch promotion activities.** The initial launch of a community requires substantial promotional activities. Customers won't know that the community exists, its benefits, or how to use it unless you make this visible to them. Adoption of the community is directly proportional to awareness. Promotional activities might entail sending email messages, providing launch activities — contests, giveaways, etc. You must budget for the cost of promoting your community in the market.
- **Planning and policies.** An organization must take into account that social media is new for most organizations and people. Considerable effort must be placed around establishing the tone, the culture, and the posting policies for the community. Firms also want to consider security and privacy considerations. Rather than invent these from scratch, work with the vendors who have accumulated insights through supporting other communities that have burgeoned during the past five years.

Recurring Technology Costs

In this particular model we looked at deploying a SaaS community platform. Typical recurring SaaS technology costs include:

- **Community platform subscription fee.** The typical community platform is leased under the software-as-a-service (SaaS) model, requiring a yearly license fee.¹⁴

- **Premium analytics.** Analytics is a necessary tool that is often not part of the community platform and must be purchased separately. Some customer service community platform vendors have created a relationship with an analytics company and provide a pre-integrated analytics platform. For instance, Lithium has a partnership with Ominture. nGenera's KB tools include an "ROI" reporting component to help managers understand the cost of KB, community utilization, and call deflection and is developing a partnership with an analytics company. Helpstream provides its own "waterfall analytics report" package with its software.
- **Reporting.** Most community platforms come with a reporting function. Check to understand what reporting capabilities come standard with your software and additional costs.

Recurring People Costs

The success of a community depends a great deal on the leaders of the community. Below are some of the recurring people costs to be expected when deploying a community:

- **Community manager.** A community manager provides operational leadership, and the costs of this position need to be included in budgets for the ongoing running of the community.
- **Community moderator.** The community moderator duties range from welcoming new users, engaging super users, ensuring that questions get answered, and enforcing community policies.
- **Knowledge management manager.** The current KM manager will need to take on some responsibility for the content in the community. The incremental cost for additional duties and participation in the community needs to be accounted for.
- **IT resources.** IT responsibilities include maintaining the community and ensuring that it works with the company's current IT infrastructure and systems.

Recurring Process Management Costs

As with any business process change, there are ongoing costs that involve new or additional processes. Below are the recurring process change costs:

- **Ongoing marketing and promotion activities.** An online community requires ongoing promotional activities. These are important to continue to build the community with new members as well as to engage and keep super users enrolled. Therefore, budget needs to be established for ongoing promotion of the community — to customers but also within the company, as well.

Risks

Companies are struggling with all types of social media, from blogs to communities, and for most companies, it is uncharted territory. Although there are many companies that have had successful

communities, the launch of a community not is without risk. It is important to consider some risks when creating a business case, a strategy, or an implementation plan and schedule. The risks to consider include:

- **Reputation/trust risk.** Part of the draw of a community is the transparency and authenticity of the postings. Companies must be ready face public customer comments about their community and not delete or edit all negative posts. Potential risks and exposure via online communities are real; however, many of the vendors have thought through the risk factors and designed their platforms with substantial capabilities to reduce risks. If a company doesn't deploy using community best practices, it can end up with an unsuccessful community.
- **Implementation risk.** The No. 1 reason community plans are stalled/halted is because key players (legal and corporate communications) weren't involved from the very beginning. Invite IT, eService, sales, marketing, CxO sponsors, legal, and corporate to your meetings. Use best practices to create your community policies and make the community a shared, cross-functional responsibility.
- **Measurement risk.** Without the right measurements, it is difficult to determine the health of the community or what corrective actions to take, and it may come up short of expectations. Collectively determine your metrics, analytics, and reporting process to consistently measure the right things and manage changes quickly.
- **Scale risk.** If you are doing things right, your community could easily grow to millions of unique users within several years or faster. You don't want to start and then later have to stop and revamp your community because it outgrew the platform's capabilities. Choose a vendor that has grown communities with a platform that can easily sustain your projected user base.

CALCULATING THE VALUE OF ONLINE CUSTOMER SERVICE COMMUNITIES

To arrive at a quantitative assessment of the economic impact of customer service online communities, Forrester evaluated the key drivers of benefits, costs, and risks for a hypothetical organization considering implementing customer service online communities that:

- **Provide both phone- and Web-based technical assistance.** In our example company, customers seek help about product and services they've already purchased and have a greater propensity to call a customer service agent than use the Web site.¹⁵ As such, a reduction in calls would provide a reduction in the cost to serve customers.
- **Achieve indirect call deflection and direct call deflection.** For our example, we considered two types of call deflection. In a "direct call deflection" scenario, a customer goes online to the community (instead of picking up the phone), posts a question in the community, and gets his

answer via community responses. The second and higher volume of call deflection comes from indirect deflections. The ratio of “super users” to “posters” to “lurkers” is referred to as the 1:9:90 community participation principle.¹⁶ Most people in communities are referred to as “lurkers” — they visit the site and read the questions and answers, but don’t post (ask questions). For instance, a lurker would choose to search on the Web site (rather than call the company) and find the answer to her question by reading what other people have posted.

Baselines And Assumptions

For the purposes of this analysis, we established a set of baseline assumptions from numerous end user and technology vendor conversations. To apply the model to your company, you may need to adjust some of the assumptions. Our hypothetical example company has the following characteristics:

- **Has multiple customer service goals to address through an online community.** Our example company was seeking to reduce call volume, to reduce support costs, to retain more customers, to participate in and redirect negative customer word of mouth, to increase the number of online advocates, and to provide an overall better experience from the customer’s point of view.
- **Is a small to medium-sized center.** Our example company receives approximately 30,000 calls per month. The agent’s handle time is about four calls an hour with after-call work time included. The burdened rate for a tier one agent is \$20 per hour. The company has 500,000 customers. There are about 400 new community threads per month (questions posted) and 10,000 community searches per month. Adjustments to the model must be made for call centers with larger call volumes, threads, and searches.
- **Uses a three-year time frame for analysis.** For our example company, the analysis considers benefits, costs, and risks over a three-year time period. The startup period is considered to be between Months 1 and 3. The recurring period is from three months and beyond. Changing market conditions and technology may warrant further adjustments to your own model.
- **Uses a federated Web site search capabilities approach.** We assume that the search on the example company’s Web site is federated. This means that the community is set up so that when a customer/customer service agent uses the search function on the Web site, it returns answers from posts in the community, the knowledge base articles/FAQs, and the Internet.
- **Requires metrics and statistics for the community moderator and customer service director.** Although many more metrics are required to understand and maintain a vibrant community, we assumed that the community would be deployed with the ability to measure several key customer-community interaction metrics. These are the number of: 1) user sessions per month (unique user visits to the community per month); 2) new threads per month 3) threads marked as “answered” by community members; and 4) answers marked as “solved” by community members.¹⁷

- **Routes unanswered community questions to customer service agents.** We assumed that if a customer's question could not be answered by either a moderator or the community members within a specified period of time in the community it could be escalated to a customer service agent. This implies that the community and the contact center technologies are integrated.
- **Allows customer service agents to have access to community answers.** In our example company, we assumed that customer service agents could search on both the knowledge base/FAQs as well as community answers. And that having access to the community answers increases the agent's ability to solve more complex issues quicker and more completely. This results in higher FCR, increases customer satisfaction, and reduces the propensity for customers to vent their displeasure at agents.
- **Enables customers using the community to find answers they need or get help from an agent.** Adoption of an interaction channel is related to customers' perception that their issue will be handled. In our example company we assumed that customers were helped through the use of the community and if not there, then by an agent.
- **Engages the community to stimulate product/service ideation.** Our example company seeks to engage their community to improve customer service as well as provide new ideas. This voice-of-the-customer (VOC) data would save product development, Q&A, manufacturing, and production engineers time, energy, and costs, as well as facilitate bringing product and service improvements to the marketplace faster.
- **Uses the community to provide more relevant Web site content for enhanced SEO results.** Our example company seeks to increase its search engine optimization results in an "organic" way, meaning that in a Google search, for instance, the company would have higher rankings without paying for placement. This is based on consideration that search engine spiders and algorithms base rankings in part on content relevancy. Because users can vote or rank the community content value, the search engines rank community content high.
- **Increases customer lifetime value through positive word of mouth.** Our example company seeks to increase its customer lifetime value, i.e., to increase customers' propensity to spend more with the company for longer periods of time based on improving positive word-of-mouth. It assumed that customers who are engaged in a community make more recommendations to other customers, spend more, spend more often, and are more loyal.
- **Reduces the cost to market and sell products by taking advantage of community input.** Our example company wants to use VOC data to create better products to lower the cost of marketing and sales. Marketing with VOC data means that targeted marketing campaigns can result in a higher lead-conversion rate. And the VOC data means that sales closer rates and transaction values would also increase.

Evaluation Time Frame

Our analysis assumes that the project begins and runs continuously through Year 3. This time frame includes the following phases:

- **Investment phase.** This phase, lasting one to three months, includes the upfront monies to get the project running. This phase includes internal planning, vendor, and product selection and implementation and integration.
- **Initial benefits phase.** In Months 4 to 12, the organization will begin to realize benefits from the community. The benefits will most likely ramp up to a full benefit run rate at the end of this phase. For the purpose of this analysis, the benefit ramp rate is considered linear.
- **Full benefit phase.** During the remaining months of the analysis period, the organization will likely realize the full potential benefit of the community, subject to the risk factors defined. Likewise, during this phase, operational costs will also remain, although likely at a reduced run rate.

Online Community Deployment Assumptions

The example organization deploys a customer service community by placing a button on its Web site, either on the home page or listing it on customer service pages on the corporate Web site. The company anticipates questions ranging from technical support to questions about products and services. We assume the company will experience:

- **A growing volume of customer participation in the community.** The example company anticipates that the community will be staffed by a moderator. A typical moderator review process might be 15 minutes every 2 hours, from 9 a.m. to midnight. The company anticipates an increasing number of community participants each month. During this time, the moderators have secured and enrolled super users who are the main content providers.
- **Success with indirect call deflection.** In most communities, much of the savings comes from indirect call deflection. In our example company, customers who visit the community can often find an answer without posting a question. In addition, to determine the percentage of customers who find answers via browsing the posted questions and answers, our example company provides a random, popup survey that asks the customer if he got the answer he was looking for; about 10% of the customers answer the survey. We assume that this 10% represents a smaller number of customers than actually got their questions answered, but it provides a conservative but nevertheless reasonable indicator of indirect call deflection.
- **Gains from the benefits of direct call deflection.** In our example company, we assume that the community platform allows customers to mark a question as “answered.” This means that a “thread” they started gets answered by the community or the moderator. Estimates show that


although most all customer’s question are answered, only about 30% of customers mark the thread as “answered.” This is most likely a conservative estimate because companies monitor and make sure that most, if not all, threads or questions are answered.

- **Support from super users.** Although the content is the primary driver of site usage, our example company is able to recruit five super users — and the super users are not paid by the company. The company might provide the super users with beta products, an advanced notice of new releases, or other types of information via a private “VIP” community, making them unique experts. The moderators make sure that the super users stay engaged, answer customer questions, uphold the community’s policy guidelines, and deal with customers who don’t comply.
- **More satisfied and loyal customers.** Experience has shown that community users not only find answers to their questions but also have a sense of belonging, gain a sense of “ownership” for the community by participating in the community, and find that interactions can go beyond just customer service support and result in long-term friendships and business partnerships.

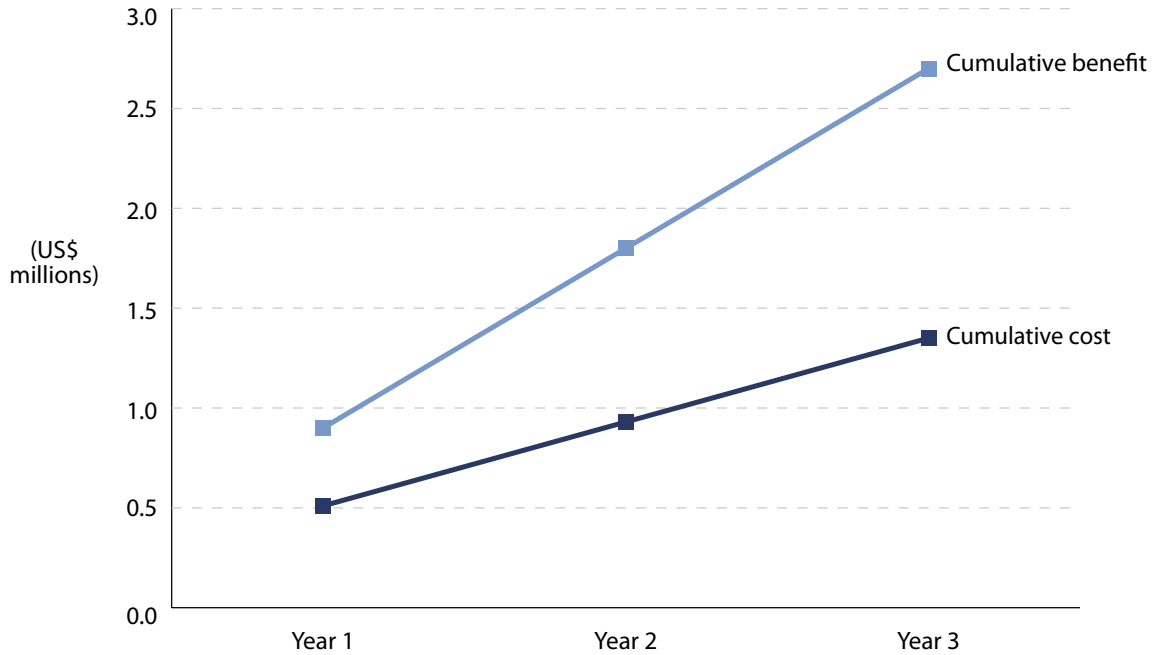
ONLINE CUSTOMER SERVICE COMMUNITIES CAN DELIVER HIGH ROI

Over a three-year time frame, our example company will invest a probability-adjusted outlay of approximately \$1.2 million. Over that same time frame, the project produces an expected risk-adjusted return on investment (ROI) of 99% and a risk-adjusted net present value (NPV) of approximately \$1.2 million (see Figure 5). This project achieves payback within the first year of operation — less than 12 months from the initial community project kickoff date (see Figure 6).

Figure 5 Model: TEI™ Analysis Summary — Online Customer Service Communities

 The spreadsheet detailing this model is available online.

	Year 1	Year 2	Year 3	Total	Present value (PV)
Benefit	\$904,400	\$904,400	\$904,400	\$2,713,200	\$2,330,727
Cost	\$516,060	\$418,310	\$418,310	\$1,352,681	\$1,168,535
Net cash flow	\$388,340	\$486,090	\$486,090	\$1,360,519	\$1,162,191
NPV	\$1,162,191				
ROI	99%				
Payback	< 12 months				

Figure 6 TEI™ Costs Versus Benefits — Online Customer Service Communities

48002

Source: Forrester Research, Inc.

FLEXIBILITY: DEPLOYING CUSTOMER SERVICE COMMUNITIES PROVIDES FUTURE VALUE

Flexibility, as defined by Forrester's TEI methodology, represents the benefits to the organization in the creation of future options from an initial investment. There are multiple scenarios in which a company might choose to implement online communities for one reason and later leverage the platform to take advantage of additional uses and business opportunities. By adding additional communities, the company might derive incremental additional value from the original investment for only modest additional costs. Although we will not quantify the monetary value of these options, understanding that the social networking infrastructure is a platform that can be expanded over time clearly adds benefits above the direct ROI.

An example of this is that as a company deploys one type of community, it gains best practice knowledge. Communities deployed for customer service will pave the way for other communities — for product developers, marketers, sales, quality assurance, etc. The costs of these communities will be reduced because the company has already deployed one community, and it can leverage the expertise gained from its learning curve.

RECOMMENDATIONS

DEFINE YOUR CUSTOMER COMMUNITY GOAL

- **Paradigms shift; so must you.** Customer service professionals must find innovative ways to engage with “social customers” via emerging social media technologies. Online customer service communities make self-service a more satisfying customer experience, in addition to reducing costs for the provider. Companies that are still spending money on self-service solutions that don’t deliver good customer experiences are hurting their brands and their bottom line. The time to shift gears and join the social media business revolution is now.
- **Identify the five worst fears early in the process.** Companies often fear the worst when deploying something new. This is often in the case with social media. However, most of those fears are unfounded. That only becomes obvious when the fears are unearthed early in the process. Instead of allowing unspoken fears to dominate the decision to move forward with social media, facilitate a meeting where the stakeholders are allowed to let their imaginations run wild, envisioning the most dismal outcomes, from worries that no one will come to the site to nightmares about troublemakers will posting lies about the company. Categorize the uncertainties into buckets of costs, benefits, and risks and learn from best practices that most social media fears are unfounded.
- **Focus on improving the customer experience.** The issue with many customer service technology platforms and processes is that they are still based primarily on achieving cost reductions and efficiency gains, not customer experience enrichment or better customer retention. The most critical step is designing customer experiences first, and then making the subsequent technology choices to enhance the customer experience, not destroy it.
- **Strategize, strategize, strategize.** Determine what you want to accomplish with the community and stay on point. If a company is unclear why it wants the community — hasn’t clearly determined the strategy, purpose, and the results it’s looking to achieve — the company is likely to get mixed or poor results.
- **Choose a vendor wisely.** Not all community solution vendors have deployed their solutions to support customer service. Make sure to interview both the vendor and its client list. And don’t limit your interviews only to the referenceable customers the vendor provides. Determine if your use case is similar. Don’t be caught by surprise to learn that the solution will take hundreds of thousands of dollars to integrate to your contact center, won’t scale to a growing user base, or has been primarily deployed as a customer “listening” platform. The goals and results of the various types of community platforms differ. Educate yourself and choose wisely for your particular type of application and size of contact center.

SUPPLEMENTAL MATERIAL

Online Resource

A spreadsheet associated with the online version of Figure 5 is available as an interactive tool to help you calculate the return on investment of an online customer service community. It includes the detailed set of assumptions upon which the conclusions of this report are based.

Methodology

Forrester Research uses a defined methodology for analyzing and evaluating the costs, benefits, and risks of a proposed solution. This methodology, termed Total Economic Impact (TEI), provides a holistic view of the decision by including an analysis of costs, benefits, flexibility, and risk. By including an assessment of risk, TEI provides a realistic view of expected outcomes, rather than one shaded by early optimism and enthusiasm.

Unlike a cost- or technology-based analysis, TEI does not rely on industry averages or factors that are applied to all organizations but is a methodology for evaluating projects. The TEI methodology forces the determination and quantification of relevant metrics in light of an organization's current state and future goals. Firms can use the TEI model as a proactive and predictive tool.

Companies Interviewed Or Researched For This Document

AlterPoint	NetApp
Carphone Warehouse	nGenera
DIRECTV	OSIsoft
Fair Isaac (Myfico.com)	Overtone
Helpstream	Palm
Infusionsoft	Pitney Bowes
Intel	RightNow Technologies
iRobot	Sage Software
Jive Software	salesforce.com
Lenovo	Socialtext
Linksys	Telligent
Lithium Technologies	Verizon
Mzinga	

ENDNOTES

- ¹ The rise of Social Computing means that customer service professionals must find innovative new ways to cope with the emerging phenomenon of “social customers.” Forrester talked with nine early-adopter companies and reviewed the social technology capabilities of six leading CRM solutions vendors to understand the business tactics and new technologies that CRM professionals are using to achieve the five objectives of social customer strategy: listening, talking, energizing, supporting, and embracing. Leading edge organizations are actively using social technologies to forge new and tighter relationships with their buyer communities, and social technologies are driving business results. See the November 13, 2008, “[CRM 2.0: Fantasy Or Reality?](#)” report.
- ² Josh Bernoff’s groundbreaking book provided some of the seminal work around how companies could begin to strategize on how to use social media for business. See Charlene Li and Josh Bernoff, *Groundswell: Winning in a World Transformed by Social Technologies*, Harvard Business Press, 2008.
- ³ In this economic climate, no one can afford to lose a customer. Rather than halting spending, smart customer service executives will use this economic downturn as an opportunity to regroup and reprioritize. What should they focus on? Top customer service recession-busting strategies that cut costs and generate more revenue include: proactive chat, agent-customer co-browsing, online customer communities, unified communications, and multichannel knowledge management. See the January 21, 2009, “[The Economic Necessity Of Customer Service](#)” report.
- ⁴ For an in-depth discussion of TEI and the individual elements within the methodology, please see the August, 4, 2008, “[The Total Economic Impact™ Methodology: A Foundation For Sound Technology Investments](#)” report.
- ⁵ Conversations with Jeff North, Principal Consultant (TEI), Forrester Research, helped to determine the parameters when developing the ROI model for social media customer service. This field is brand new and no models to date exist exactly like this.
- ⁶ “Super users” is the term referred to between 1 to 2% of the community members that contribute between 40 and 60% of the community content. The term “1:9:90” refers to the fact that 1% of your community creates most of the content; 9% will reply to what is posted; and 90% will just read what is posted.
- ⁷ The Consortium For Service Innovation research shows that organizations are good at solving known problems with known solution. However, those issues account for about 1% of the customer service issues. The balance of customer demand for support is divided into 9% issues that are known, but you haven’t created information for customer service agents and 90% issues that are unknown and thus the solutions are unknown. Online communities and peer-2-peer interactions provide companies with some of the best content for these issues. Consortium For Service Innovation (http://www.serviceinnovation.org/included/docs/kcs_fttcpaper.pdf).
- ⁸ For example, a customer might have a complicated customer service issue — picture a multiple vendor situation (a computer, a router and an ISP combination). Because of the complexity of the combination of technologies, the computer company, the ISP, nor the router manufacturer may be able to answer why the

customer is experiencing trouble. Agents are left to tell the customer “it’s the other company’s fault.” Online community participants however, have often encountered the same issues (issues with usability, installation, configuration, interoperability, and defects) that many of your customers are experiencing, have resolved the issue and generously desire to share their knowledge with other customers. The community content provides more relevant content to agents, making them more efficient. The savings from increasing agent productivity can be evaluated by looking at the increase in the number of calls agents can answer per hour.

- ⁹ After online searches, 70 percent of service seekers (i.e., consumers contacting customer service at least once during the past six months) purchased products or services online, and 42 percent called customer service phone numbers. Indexing knowledge content for inclusion in major search engines is a given for most service organizations. See the May 20, 2008 “[SEO Strategies for Service Organizations](#)” report.
- ¹⁰ Forrester believes customer engagement is a key business metric and by understanding the brand engagement of various segments of customers, companies will better be prepared to engage those customers and derive more value from them. See the June 25, 2008, “[Social Loyalty](#)” report.
- ¹¹ Influential customers drive purchase decision and influence how others feel about a brand. Companies need to take into account the social value of their customers and prospects. See the April 24, 2008, “[Social Multi-taskers Have the Highest Social Value](#)” report.
- ¹² Forrester defines customer lifetime value (CLV) as a customer’s potential monetary worth through the course of his or her relationship with a business. In the current economic slowdown, customer valuation techniques like CLV take on an added significance because the retention and cost to satisfy a customer become even more relevant. See the March 11, 2009, “[Executive Q&A: Customer Lifetime Value](#)” report.
- ¹³ To date most IT departments have resisted Web 2.0 Tools, often viewing them as consumer grade and secondary to other IT investments. The application of social media to customer service has started to change this trend. See the January 25, 2008 “[Top Enterprise Web 2.0 Predictions For 2008](#)” report.
- ¹⁴ Choosing a community platform vendor means understanding not only what vendors exist, but also how they will integrate to your company’s existing technology solutions. Source: Forrester’s Vendor Product Catalog: Community Platforms For The Interactive Marketer (<http://www.forrester.com/rb/vpc/catalog.jsp?catalogID=60>).
- ¹⁵ Customer service models vary by industry. Banking and financial services companies, for instance, can have a very high percentage of self-service or automated service. In contrast, technology or service industries have traditionally a larger percentage of calls going to customer service agents.
- ¹⁶ “Super users” is the term referred to between 1 to 2% of the community members that contribute between 40 and 60% of the community content. The term “1:9:90” refers to the fact that 1% of your community creates most of the content; 9% will reply to what is posted and 90% will just read what is posted.
- ¹⁷ A “thread” refers to a customer’s interaction with the community. When a customer posts a thread, this means that he did not find his answer by reading the community and posted (wrote) a question to the community. In our model, we assume that either the community members or the moderator generally answers most all questions or threads “posted” to the community.

The phrase “threads marked as ‘answered’ by community members” refers to questions posted to the community that have been “answered,” meaning that the person who had asked the question “voted” by marking that an answer had provided a satisfactory answer to his question.

The phrase “answers marked as ‘solved’ by community members,” means that a community member did not post or write a question, but instead read the answer to another person’s query and “voted” by marking the answer as having provided a satisfactory answer to their question.

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