

Online Communities:

Driving Customer Engagement & Influencing Revenue

September 2014

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INTRODUCTION

For any company or brand, improving customer engagement is highly desirable. The fruits of greater customer engagement include higher customer satisfaction, more customer advocacy, greater revenue and higher profit. Every firm wants these things that better customer engagement can provide – this much is clear. **What isn't always very clear or easy is how to best generate better customer engagement.**

Online communities have emerged as a practical approach for nurturing, encouraging and enabling customer engagement. An online community is an online social network of individuals who interact with one another to pursue common goals and/or interests¹. Conceptually, an online community seems like an ideal mechanism for achieving higher customer engagement and the benefits thereof. *In reality, are online communities delivering the hoped-for customer engagement benefits?*

In a study sponsored by DNN, Demand Metric conducted a survey to find out if branded, online communities are delivering real customer engagement benefits. The study was conceived to understand how prevalent branded, online communities are and how they are performing.

The goal of this study was to identify the current state of adoption, goals, benefits, maturity, size and revenue influence of branded, online communities. With these insights, Demand Metric can provide benchmark data to help modern marketing organizations better leverage online communities.

¹“History of Online Communities”, Joe Yeoman, May 23, 2013, <http://blog.bigmarker.com/history-of-online-communities/>.



EXECUTIVE SUMMARY

Just over half of this study's participants were in marketing roles in B2B organizations. Participants represented a wide range of industries and were from companies with revenues ranging from less than \$10 million to over \$1 billion annually.

Participants that did not report having a branded, online community were asked to share reasons for not having one as well as their plans to implement one. Those who are using a branded, online community were asked to share information about it.

The analysis of this study's data provides these key findings about branded, online communities:

- **Roughly two-thirds of companies have communities. Large companies are much more likely to have one (74%) than small companies (40%).**
- For the approximate one-third of organizations that don't maintain a community, a lack of funds, staff or other resources is the reason they most frequently cite (41%). Furthermore, just 14% of these organizations report a plan to implement a community.
- **Organizations with communities have varied goals for them. They are having the most success using their communities to supplement social media, and the least success identifying upsell and cross-sell opportunities.**
- The top three benefits of communities are virtually tied in the benefits ranking. These are a better understanding of customer and prospect needs, a more loyal customer base and a better customer perception of the brand.



EXECUTIVE SUMMARY

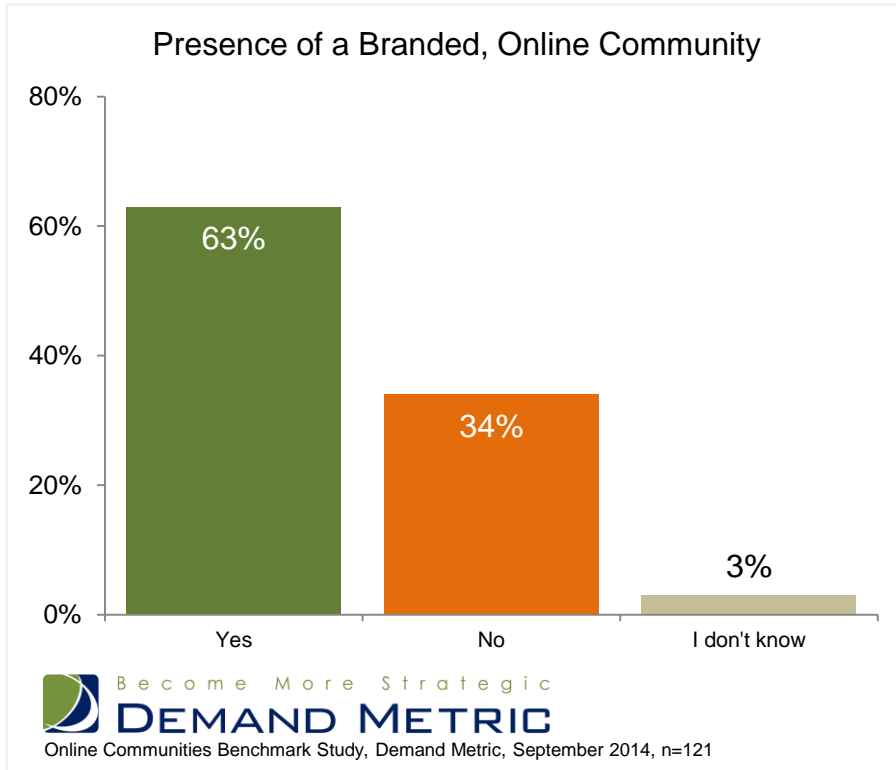
- **Over 80% of organizations are using some sort of metrics to track the success of their communities.** However, most are just using basic measures of activity, traffic or posts. When community success is tracked with intermediate or advanced metrics, the influence on organizational revenues is greater.
- **Over one-third of communities have over 15,000 members. Most of the communities of this size have existed for at least three years.**
- **Executive involvement has much to do with how well communities influence revenue.** Over two-thirds of organizations with highly involved executives are seeing their communities influence 16% or more of the organizations' total revenue.
- The degree to which communities produce customer engagement drives the revenue influence those communities have. Organizations that are satisfied with engagement levels are seeing their communities influence a greater share of the organizations' revenue.

This report details the results and insights from the analysis of the study data. For more detail on the survey participants, please refer to the Appendix.



PREVALANCE OF ONLINE COMMUNITIES

Figure 1: Approximately two-thirds of organizations surveyed have a branded, online community.



The formation of a community around a brand or cause isn't a new phenomenon. Such communities have existed for decades, formally and informally. Those who manage communities have leveraged any technology available to facilitate better communication. LISTSERV is one example of technology that helped facilitate dialogue. **Today, branded, online communities are more sophisticated, due in large part to the technology that powers them.**

The role of communities has evolved from simply offering information to engagement. Company owned communities are websites that act as engagement engines. They enable companies to create social relationships with customers and prospects and to foster peer-to-peer relations that drive engagement with the company, brand, product or service.

As communities are discussed in the balance of this report, the assumption is that they are branded: built, curated and managed under the banner of a specific brand, and integrated into one or more aspects of that brand's online presence. *Figure 1* details how prevalent communities are in this modern marketing era.

PREVALANCE OF ONLINE COMMUNITIES

It is far more likely for large organizations to maintain an online community than small ones, as *Figure 2* illustrates.

Figure 2: Less than half of small companies have a branded, online community while three-fourths of large companies do.

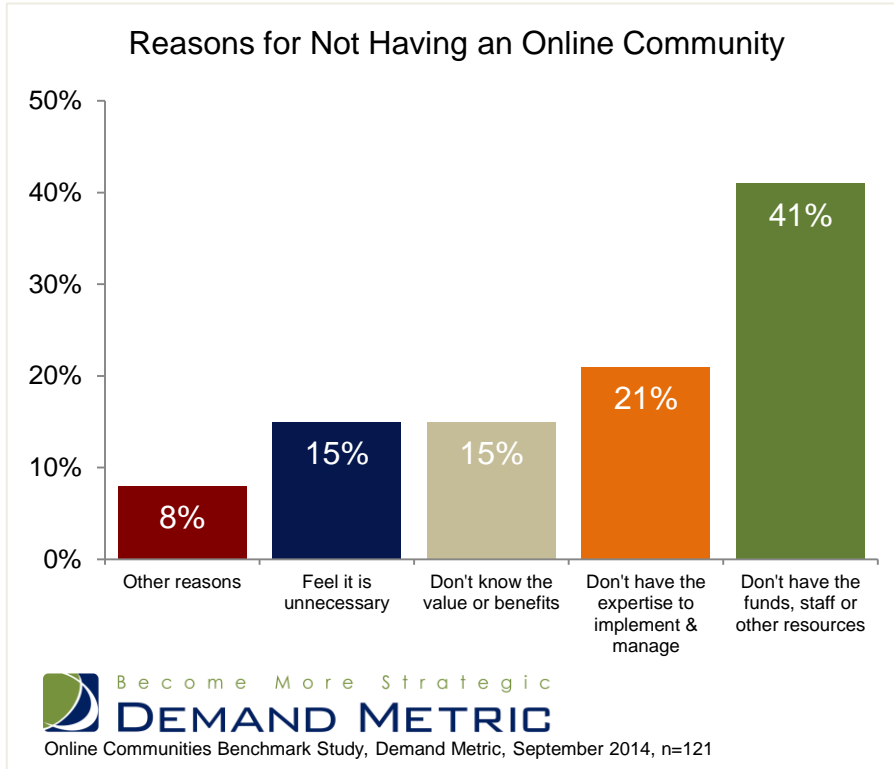
Company Size (Annual Revenue)	Yes	No	Don't know
Small (Less than \$25 million)	40%	56%	4%
Medium (\$26 to \$500 million)	67%	33%	0%
Large (Over \$500 million)	75%	25%	0%

Those organizations in the study reporting that they currently have no online community provided their reasons for not having one. These reasons are presented in *Figure 3* (on the next page).



PREVALANCE OF ONLINE COMMUNITIES

Figure 3: Resource constraints are most likely to keep organizations from having an online community.



The reasons presented in *Figure 3* differ little by company size. **Whether large or small, resource constraints are most frequently cited as the reason for not having an online community.**

Some participants who chose the “Other” response option shared that “*Facebook is sufficient*” or that “*Our sites are shopping sites; customers don’t want to ‘hang out’ there.*”

Regardless of the reason for the absence of a community, 86% of the organizations represented in *Figure 3* have no plans to implement one.

Just 14% of organizations have plans in place to do this, with just under half of these plans tied to a definite implementation schedule.



GOALS & BENEFITS OF ONLINE COMMUNITIES

For the 63% of organizations studied that do have a community (*Figure 1*), *what are their goals for these communities?* **The overarching goal for most online communities is better customer engagement, but most organizations have more granular goals for their communities.** These goals, and the degree to which they are being met, are summarized in *Figure 4*.

Figure 4: Less than half of small companies have a branded, online community while three-fourths of large companies do.

Goal	Very well	Well	Neutral
Supplement social media	26%	34%	28%
Deflect support calls	18%	24%	22%
Engage prospects earlier in buying cycle	16%	30%	26%
Identify cross-sell/upsell opportunities	8%	31%	31%
Improve customer loyalty	24%	35%	24%
Encourage customer advocacy	20%	39%	23%

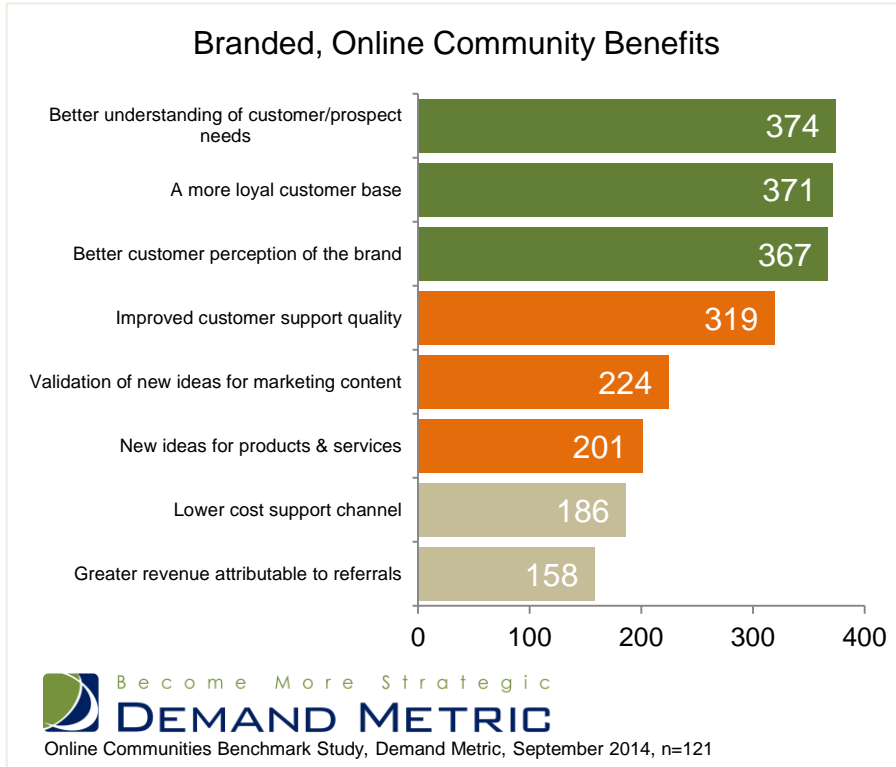


Online Communities Benchmark Study, Demand Metric, September 2014, n=121

Based on the number of “Very well” and “Well” goal achievement responses listed in *Figure 4*, organizations in this study are doing the best achieving their goal to supplement social media and encourage customer advocacy, and the worst at identifying cross-sell and upsell opportunities. Achieving this latter goal is a function of higher levels of community engagement, a characteristic this study will examine in a later section of the report.

GOALS & BENEFITS OF ONLINE COMMUNITIES

Figure 5: The top three ranked benefits share almost equal weighting.



Organizations report getting a broad spectrum of benefits from their online communities. A set of eight, known online community benefits were presented to study participants for them to rank. This ranking² is presented in *Figure 5*.

Other benefits that were contributed through the comments area of the survey include:

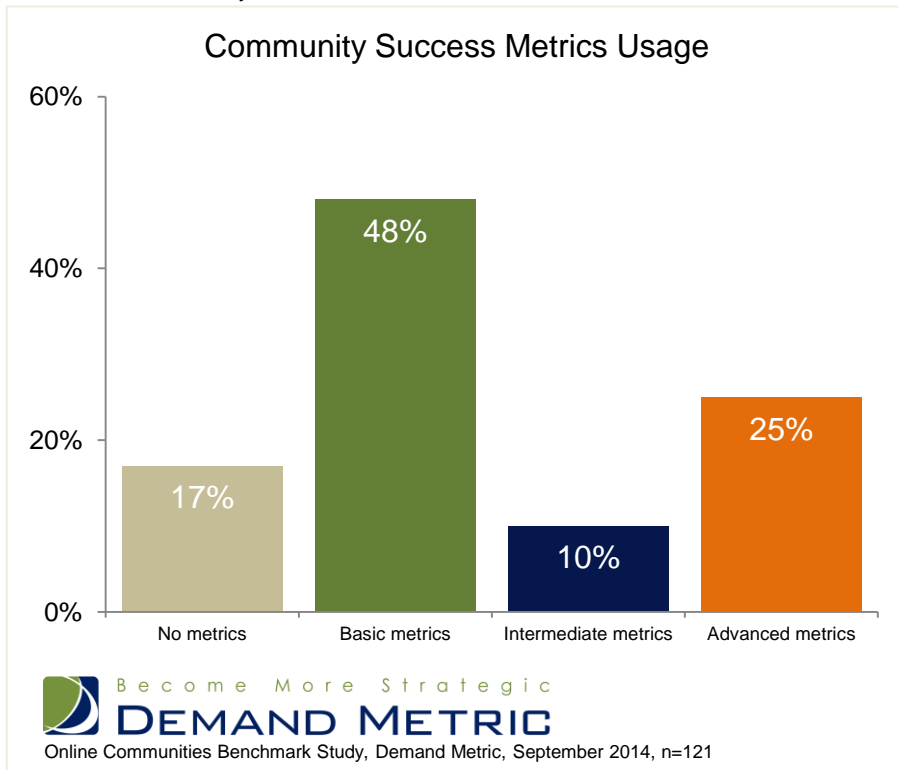
- Growth in engagement.
- Improved website traffic
- More customer interaction

Organizations that have branded, online communities are achieving many of their goals and receiving meaningful benefits as a result. *How well are these benefits translating into revenue? As this study report continues, it will explore if there is a solid business case for branded, online communities or if are they just an idea whose value is unknown or immeasurable.*

²Score is a weighted calculation. Items ranked first are valued higher than the following ranks; the score is the sum of all weighted rankings.

ONLINE COMMUNITY MATURITY: METRICS

Figure 6: Almost half of study participants just use basic metrics to track the success of their branded, online community.



To understand the maturity of branded, online communities, the study gathered and analyzed data about effectiveness metrics. **The use of metrics is often a reliable indicator of maturity for a marketing strategy, tactic or approach.**

In this study, participants were asked to select a category of metrics that best fit their current measurement practices. Here are the options from which they could choose:

- **None**
- **Basic:** measures of activity, traffic, posts, etc.
- **Intermediate:** measures of customer engagement, advocacy or loyalty
- **Advanced:** measures that include revenue generated and ROI from engagement activities

Figure 6 presents a summary of the metrics status of participants in this study.



ONLINE COMMUNITY MATURITY: METRICS

What is encouraging about the metrics data from this study (Figure 6) is that over 80% of the participants are using some form of metrics. Metrics are important for several reasons:

- They provide information about how well the community is performing.
- They provide insights into how the to best manage the community.
- They can enable the determination of revenue contribution and ROI.

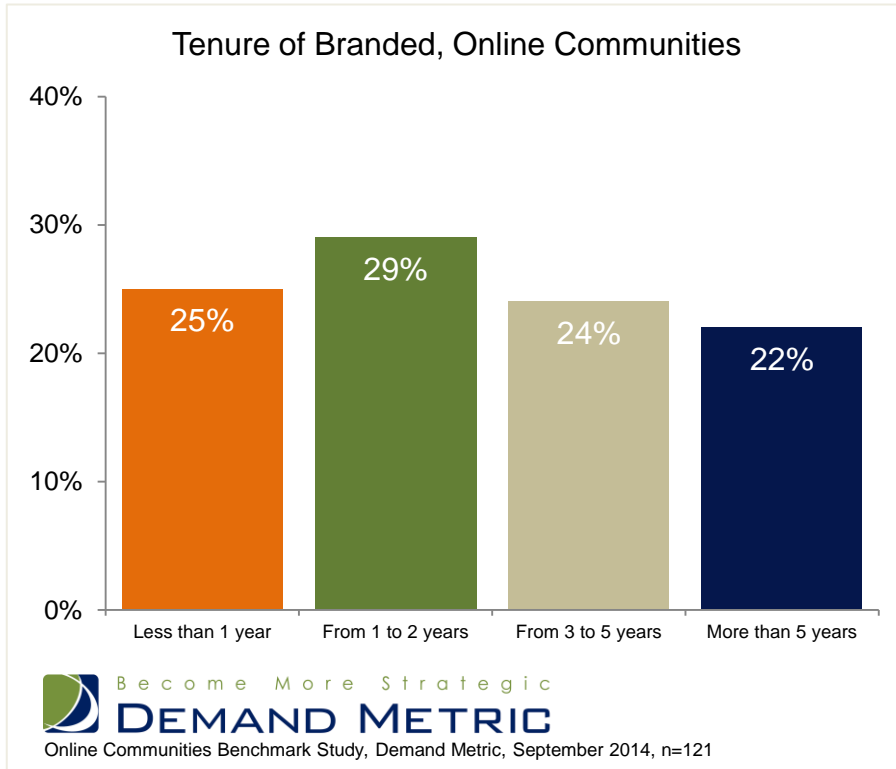
To accomplish all three of the objectives listed above, at least intermediate-level metrics are required, and more likely advanced-level metrics. The 48% of participants that report just using basic metrics are not collecting the data to know anything definitive about revenue impact or ROI.

To achieve a higher level of maturity with their communities, these organizations need to progress up the metrics ladder to intermediate and then advanced metrics. **Without them, they will not know how to continue justifying resources and expenditures for their branded, online communities.**



ONLINE COMMUNITY MATURITY: TENURE

Figure 7: The number of new communities and old communities (5+ years) is about the same.



Another indicator of branded, online community maturity is the length of time a community has existed. As *Figure 5* depicts, branded, online communities can deliver some impressive benefits, but they can't do it immediately. They require some time to gain a following and momentum.

Figure 7 summarizes the length of time study participants have had their communities in place.

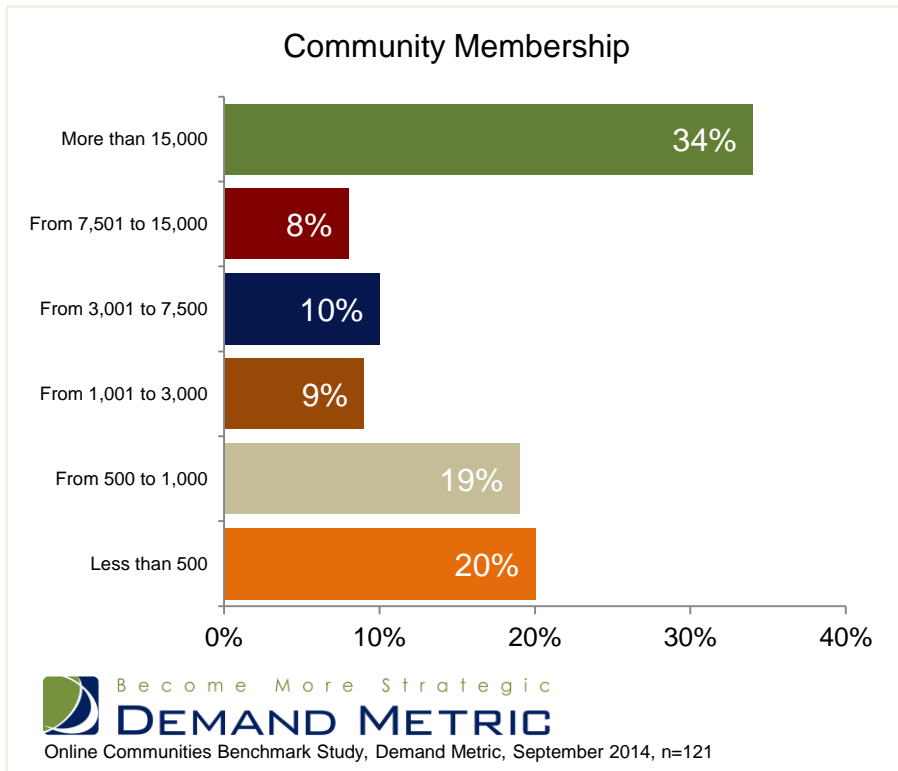
This very even tenure distribution confirms that while branded, online communities are not new, they are still new to many organizations.

One area where it seems logical that older communities would have an advantage is in membership: **the longer a community has existed, the more time it has had to grow its membership.** More members in a community means more opportunity to engage and influence them.



ONLINE COMMUNITY MATURITY: TENURE

Figure 8: Over one-third of communities studied have over 15,000 members.



To explore the relationship between membership and tenure, this study will first look at membership levels reported by study participants and summarized in *Figure 8*.

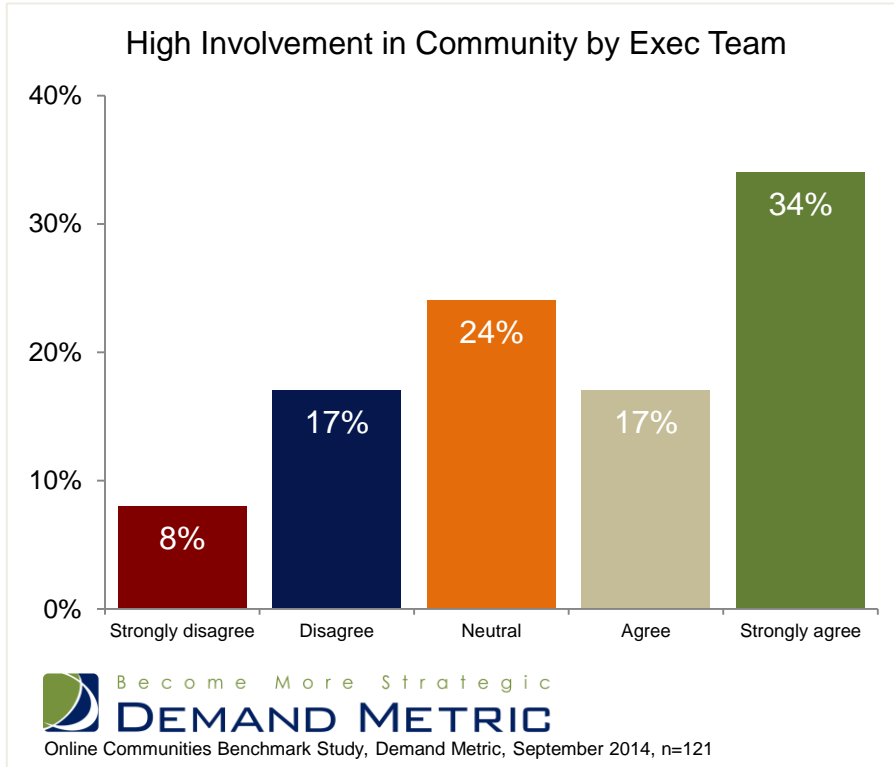
Building a community takes time, and as seen in the table below, those organizations with the oldest communities have the most members.

Community Membership	Tenure: 2 years or less	Tenure: 3 years or more
Less than 1,000 members	58%	19%
From 1,001 to 15,000 members	21%	33%
More than 15,000 members	21%	48%

What companies with communities should take away from this data on membership and tenure is that it will take time to build membership. **When creating the business case for a branded, online community, factor this time into ROI forecasts so as to properly set expectations.**

ONLINE COMMUNITY MATURITY: ENGAGEMENT

Figure 9: Over half of the executives in this study are highly involved in their online communities.



Online communities are engagement engines for the companies that have them. With respect to engagement, it exists in two dimensions:

- 1. Internal:** Exec team's involvement in the community.
- 2. External:** the engagement of community members.

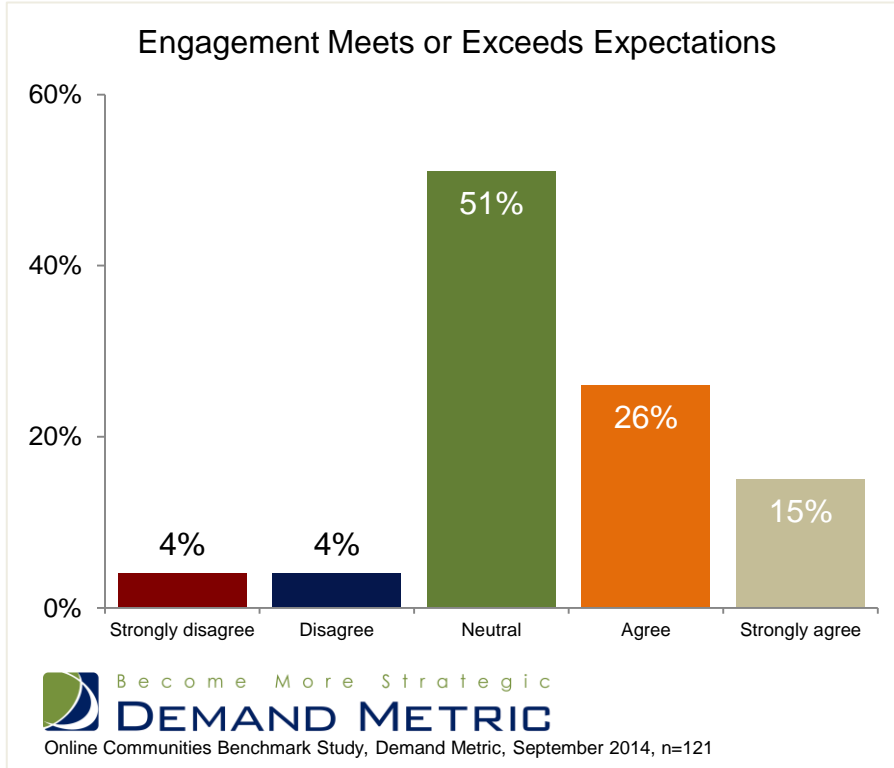
Both types of engagement are important and critical to the success of branded, online communities, so the study survey investigated both types. Study participants were asked to rate executive involvement in their branded communities and the results are presented in *Figure 7*.

Not surprisingly, the longer a branded, online community has been in place, the more likely it is for executives to have high levels of involvement in those communities. There are certainly communities born out of executive vision, but this data seems to imply that it's more common for executives to come on board over time, ramping up involvement as communities mature and begin to produce results that executives care about.



ONLINE COMMUNITY MATURITY: ENGAGEMENT

Figure 10: Almost 60% of study participants are neutral or do not agree that their communities deliver satisfactory levels of engagement.



Ideally marketers will get executive involvement before a branded, online community is even launched, but for whatever reasons, that is not occurring consistently. It is entirely possible that marketers don't seek executive team involvement early, waiting until experience and a following is gained.

For organizations with branded, online communities:

- *How satisfied are they with the level of engagement these communities drive?*
- *Does the level of engagement communities are producing meet expectations?*

Study participants were asked to rate satisfaction with branded community engagement using a scale from 1 to 5 where 1 = strong agreement that the level of engagement is satisfactory or exceeds expectations, and 5 = strong disagreement. *Figure 10* provides the answer.



ONLINE COMMUNITY MATURITY: ENGAGEMENT

Engagement satisfaction is related to community tenure (*Figure 7*). *Figure 11* shows that the longer a community has been active, the higher the brand's satisfaction is with engagement levels.

Figure 11: Satisfaction with community engagement levels improves over time.

Satisfied with Engagement	Tenure: 2 years or less	Tenure: 3 years or more
Strongly agree/Agree	31%	54%
Neutral	59%	42%
Strongly disagree/disagree	10%	4%



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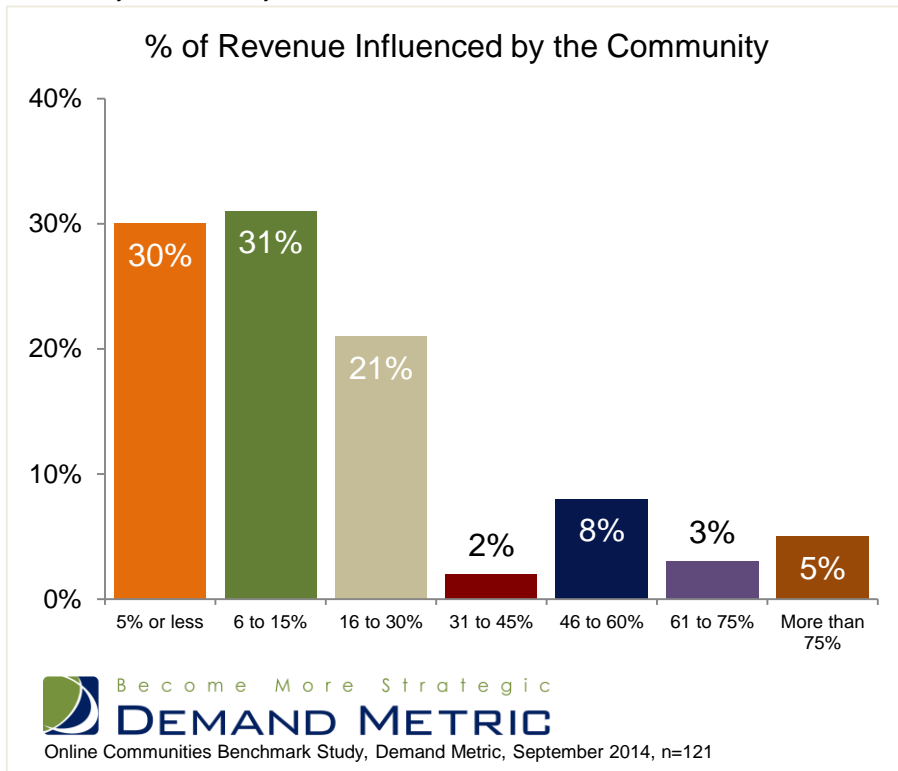
The data in *Figure 11* is subject to some interpretation. Just the mere passage of time alone is not what generates greater and more satisfactory levels of engagement. **Communities that reach their third birthday will not automatically experience an immediate uptick in engagement levels.**

Instead, what this data implies is that the building, nurturing, curating and managing a community seems to have an engagement payoff somewhere between years two and three. Once again, patience and diligence are required to achieve some of the important goals of a branded, online community, such as engagement.



COMMUNITY MATURITY: REVENUE INFLUENCE

Figure 12: 18% of study participants report that over 30% of their organization's revenue is influenced by their community.



Perhaps the chief indicator of maturity for a community is the degree to which it influences revenue. *Figure 5* summarizes some benefits of a community. Some of these are linked to revenue, while others have a softer relation.

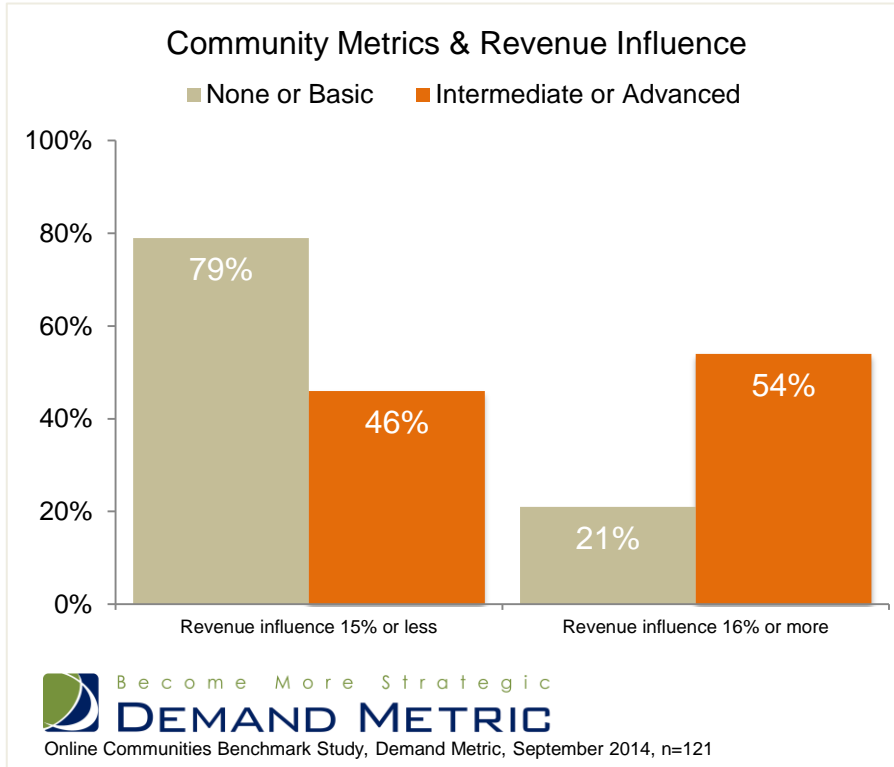
Communities that are successfully engaging members will influence revenue. This study attempted to learn the degree to which that is occurring (*Figure 12*).

Several relationships highlight this revenue influence data and other variables to provide insight into how companies impact revenue with communities. The first relationship is to the goals in *Figure 4*. Two goals are linked to higher revenue influence: **engage leads earlier in the buying cycle and identify upsell or cross-sell opportunities**

This study revealed that when organizations pursued these goals for their communities, one result is greater influence on revenue. Perhaps not surprisingly, these goals were ranked as the worst performing of those listed in *Figure 4*. Emphasizing these goals and achieving results with them is a clear focus for companies with communities.

COMMUNITY MATURITY: REVENUE INFLUENCE

Figure 13: The use of intermediate or advanced metrics is related to higher community influence on revenue.



Another significant relationship exists between a community's revenue influence and the use of metrics to measure community success.

This relationship is depicted in *Figure 13*.

The right conclusion to draw from *Figure 13* is obvious: using intermediate or advanced metrics enables organizations to understand how their communities are influencing revenue. These metrics also provide Community Managers with the data they need to make intelligent improvement actions that are not random guesses.

Community Managers that are not already using intermediate or advanced metrics should make it a priority to start capturing and using them so they can better understand the full impact their branded, online communities are having on their business.



COMMUNITY MATURITY: REVENUE INFLUENCE

Two final areas where this report examines the relationship of the revenue-influencing ability of communities to other factors include:

- The executive team's level of involvement in branded, online communities.
- The satisfaction with the level of engagement that is results from branded, online communities.

The more strongly survey participants agreed that executives were highly involved in their own brand's communities, and the higher the satisfaction with levels of community engagement, the greater the percentage of revenue was influenced by communities. Figures 14 and 15 show these relationships.

Figure 14: The relationship between executive involvement and community revenue influence.

Executive Team is highly involved in their branded, online community	Revenue influence lower (15% or less)	Revenue influence higher (16%+)
Strongly agree/Agree	40%	69%
Neutral	27%	23%
Strongly disagree/disagree	33%	8%

COMMUNITY MATURITY: REVENUE INFLUENCE

As seen in *Figure 14*, organizations with executives who are not highly involved in their branded communities are four times more likely to have their communities influence 15% or less of the organization's revenue. Executive involvement in a branded, online community initiative has a strong effect on the extent to which it influences revenue.

Figure 15: The relationship between engagement level satisfaction and community revenue influence.

Community engagement level is satisfactory or exceed expectations	Revenue influence lower (15% or less)	Revenue influence higher (16%+)
Strongly agree/Agree	26%	64%
Neutral	60%	36%
Strongly disagree/disagree	14%	0%

As stated early in this report, branded, online communities are customer engagement engines. **When they are managed to produce higher levels of engagement in the many forms that engagement can take (see *Figure 4*), the result is satisfaction but more importantly, greater influence on revenue.**



ANALYST BOTTOM LINE

There's a saying: *"the best time to plant a tree was 20 years ago; the next best time is today."*

Branded, online communities have a parallel to tree planting, and fortunately, communities mature much faster than trees. **Furthermore, there's a real payoff to having a community beyond just the value it has as another channel for communication: the ability to influence revenue.**

Branded, online communities should function as customer engagement engines. When they do, they produce a number of soft benefits, like customer loyalty and brand awareness, but they also influence revenue. In order for communities to have a revenue impact, organizations must build and maintain them using some key principles:

- **Be patient.** Communities can produce some short-term benefits. Like many strategic initiatives, however, a community takes some time to mature and have the engagement and revenue impact companies who implement them are looking for. **From the data in this study, the maturity "tipping point" seems to occur after the second year.**
- **Use the right metrics.** Any effort to measure success is preferable to not using metrics at all. **However, the use of intermediate and advanced metrics are linked to greater revenue influence.** These metrics include measures of engagement, advocacy, loyalty, revenue-generated and ROI.
- **Get the executives involved. Executives can do many things to help communities grow, prosper and engage customers.** When they have a high level of involvement, satisfaction with engagement levels rise, and even better, so does the amount of revenue influenced by the community.



ANALYST BOTTOM LINE

- **Prioritize goals linked to revenue.** Communities are ideal for pursuing many goals, all of them having value. **There are two goals, however, that are strongly linked to influencing revenue: engaging prospects earlier in the buying cycle and identifying upsell or cross-sell opportunities.** These goals should take precedence over others if organizations want to use their communities to influence revenue.

Influencing revenue is for most organizations is the most important outcome of a branded, online community. **What this study shows is that revenue influence is not an accidental, happy outcome, but the result of a community management strategy that emphasizes the priorities described above.** Executing on these priorities will produce higher levels of engagement, which leads to greater revenue influence and greater satisfaction with those engagement levels.



ACKNOWLEDGEMENTS

Demand Metric is grateful to DNN for sponsoring this benchmarking study and for those participants that took the time to provide their input to it.

Demand Metric acknowledges the advice and assistance of Dr. Tom Brown, Noble Foundation Chair in Marketing Strategy and Professor of Marketing in the Spears School of Business at Oklahoma State University, in facilitating and providing counsel on the analysis of these survey results.



ABOUT DNN

DNN provides a suite of solutions for creating rich, rewarding online experiences for customers, partners and employees. DNN products and technology are the foundation for 750,000+ websites worldwide.

In addition to our commercial CMS and social community solutions, DNN is the steward of the DNN Platform open source project.

For more information, visit www.dnnsoftware.com.



ABOUT DEMAND METRIC

Demand Metric is a marketing research and advisory firm serving a membership community of over 45,000 marketing professionals and consultants in 75 countries.

Offering consulting methodologies, advisory services, and 500+ premium marketing tools and templates, Demand Metric resources and expertise help the marketing community plan more efficiently and effectively, answer the difficult questions about their work with authority and conviction and complete marketing projects more quickly and with greater confidence, boosting the respect of the marketing team and making it easier to justify resources the team needs to succeed.

To learn more about Demand Metric, please visit: www.demandmetric.com.



APPENDIX – SURVEY BACKGROUND

The Online Communities Benchmark Study survey was administered online during the period of August 28, 2014 through September 15, 2014. During this period, 173 responses were collected, 121 of which were complete enough for inclusion in the analysis. The data was analyzed using SPSS to ensure the statistical validity of the findings. The representativeness of these results depends on the similarity of the sample to environments in which this survey data is used for comparison or guidance.

Summarized below is the basic categorization data collected about respondents to enable filtering and analysis of the data:

Annual Sales:

- \$10 million or less (51%)
- \$11 to \$25 million (14%)
- \$26 to \$100 million (7%)
- \$101 to \$500 million (8%)
- \$501 million to \$1 billion (9%)
- Over \$1 billion (11%)

Primary Role of Respondent:

- President, CEO or Owner (22%)
- Marketing (51%)
- Sales (4%)
- Customer Support (7%)
- Community Management (7%)
- Other (9%)

Type of Organization:

- Mostly or entirely B2B (55%)
- Mostly or entirely B2C (22%)
- Blend of B2B/B2C (23%)



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