

# Customer Experience Management

Using the Power of Analytics to Optimize Customer Delight

January 2012

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## Executive Summary

Faced with economic turmoil and increasing competition, businesses are looking to differentiate themselves in their customers' eyes through better brand awareness, and hearing the voice of their customers and understanding what drives their behavior. Aberdeen captured customer experience management (CEM) adoption trends and performance results in a direct survey of 252 organizations in September and October, 2011. This report highlights industry best practices for establishing and nurturing CEM programs that delight customers while improving overall business results.

### Best-in-Class Performance

Of the 252 organizations participating in the survey, 140 indicated that they are currently deploying CEM programs to manage their customer interactions. Aberdeen used the following four key performance criteria to distinguish Best-in-Class performance among those 140 organizations:

- 82% customer retention rate, as compared to 77% for Industry Average and 24% for Laggard companies
- 34.7% average year-over-year decrease (improvement) in response time to customer inquiries, compared to a 6.6% decrease for Industry Average and 2.8% increase (worsening) for Laggards
- 21.4% average year-over-year increase in customer lifetime value, compared to 2.7% increase for Industry Average and 2.6% decrease for Laggards
- 19.8% average year-over-year increase in customer satisfaction, compared to 1.8% increase for Industry Average and 5.5% decrease for Laggards

### Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- 91% collect customer feedback through one or more channel(s)
- 90% use Key Performance Indicators (KPIs) to measure effectiveness of customer engagement activities
- 73% standardize customer data across the organization

### Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Automate customer interactions through using customer behavioral data
- Conduct cost/benefit analyses for CEM activities

### Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

"The direct and most significant impact of our CEM programs was increased customer satisfaction and improved response time to our customers' needs."

~ Marketing Manager, Large International Transportation Company based in the U.S.

### How Does Your Performance Compare to the Best-in-Class?



- Compare your processes
- Receive a free, personal PDF scorecard
- Benefit from custom recommendations to improve your performance, based on the research

[Take the Assessment](#)

Receive Your Free Scorecard

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## Chapter One: Benchmarking the Best-in-Class

### Business Context

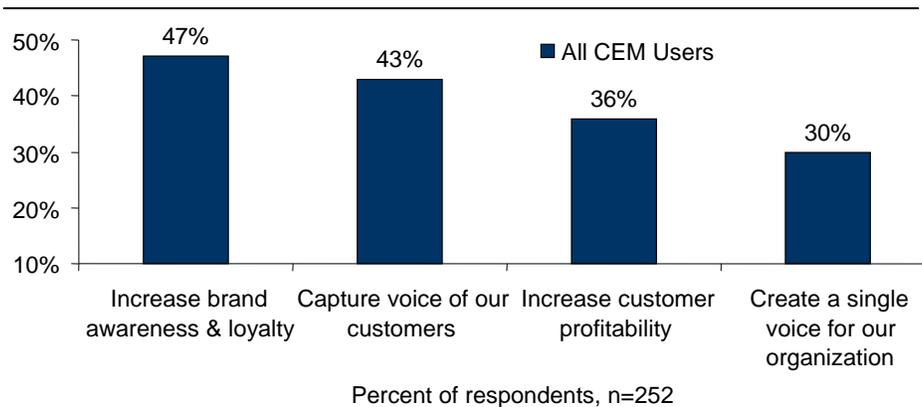
Aberdeen defines CEM as a set of cross-channel and multi-channel activities (sales, marketing and service) intended to address three business concerns: customer acquisition, customer engagement and customer retention. See Appendix B for a detailed description of each of these objectives.

Programs that manage customer experience typically address all three elements, as each has a symbiotic relationship with the others. For example, customer engagement activities can provide crucial insight into what drives a target prospect's behavior; this information can be used to convert potential customers into existing accounts by offering relevant products and services. Retention initiatives, too, can keep customers engaged and loyal, helping the business improve its ability to cross-sell and up-sell to these existing accounts. The combined impact of these activities enables businesses to increase their net-new customers, improve cross-sell and up-sell effectiveness, and increase account profitability, while creating loyal customers who are advocates of the business.

### Primary Drivers of CEM

When asked to identify the primary goals of their organizations' investment in CEM, approximately half (47%) of all companies with existing customer management initiatives cited brand-related objectives (Figure 1). By increasing brand awareness and loyalty through customer management activities, companies can use their brand strength to distinguish themselves from competitors while building richer client relationships.

**Figure 1: Primary Goals Driving CEM Initiatives**



Source: Aberdeen Group, October 2011

Businesses are also focusing on CEM because they want to understand the exact needs, desires, and feedback of customers. By listening to their clients through many channels (e.g. social, email and web), companies can

### Fast Facts

Companies participating in the study cited the following when asked about the most critical elements of their CEM programs;

- ✓ **47%** indicated all the activities throughout the customer lifecycle
- ✓ **40%** indicated customer retention activities
- ✓ **40%** indicated customer loyalty activities
- ✓ **28%** indicated customer cross-sell and up-sell activities
- ✓ **18%** indicated customer acquisition activities
- ✓ **18%** indicated customer onboarding / education activities

"We were able to identify plenty more business opportunities by simply increasing our focus on listening customers."

~ Sales and Marketing Manager,  
Mid-size Software Company  
based in the U.S.

understand what drives their customers' behavior, and use that knowledge to automate and personalize their interactions.

Since approximately half (47%) of all companies participating in the *Q1 2011 Quarterly Aberdeen Business Review* study indicated *company revenue growth* as a top business goal, it comes as no surprise that approximately one-third (36%) of all companies with CEM activities are investing in these programs with the same objective in mind (Figure 1). In addition to building brand equity and understanding their clients better, companies are also looking to improve customer profitability to increase shareholder value.

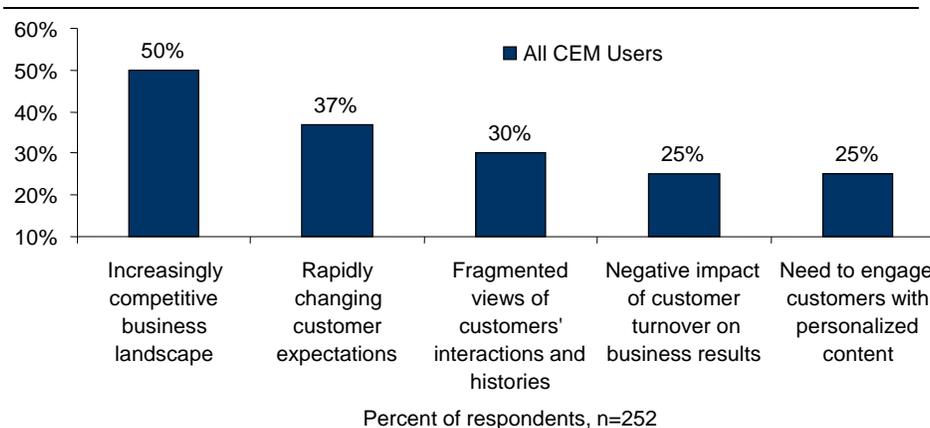
### Key Pressures

While goals reflect the business outcomes an organization wishes to achieve, pressures reflect their obstacles to achieving these ambitions. Figure 2 shows that half of all companies with active CEM programs cite competition as the primary roadblock in their customer management efforts. Organizations are struggling to keep their products and services competitive, and as such they focus on what matters most: creating satisfied customers. It is ultimately the customers who determine the top-line revenue results of organizations and as such, the financial health of each enterprise is linked to happy, loyal customers.

"I was asked to step into this role [Manager of Customer Experience] when customers showed up one day, and no one knew they were coming."

~ Chris Echevarria, Former Customer Experience Manager at a Large International Industrial Products Manufacturing Company based in the U.S.

**Figure 2: Top Pressures Faced by Organizations**



Source: Aberdeen Group, October 2011

In addition to the challenges posed by competition, businesses are struggling to track and adapt to the rapidly changing needs and wants of their customers. With the rise of new technologies such as social media portals and mobile devices, customers can access and share a wealth of information almost anytime and anywhere. This means that customer feedback, whether it be positive, negative or neutral, can spread rapidly to friends, family and colleagues in myriad formats (i.e. likes, tweets, reviews, comments, IMs, text messages), influencing how they interact with businesses. This pressure was also the second most frequently identified challenge by companies participating in Aberdeen's August 2011 [Metric-Driven Mobile Marketing](#):

Increase Marketing's Revenue Contribution research, which validates the impact of these emerging channels on consumer interactions.

While the increasing competition and changing customer expectations reflect the external factors challenging businesses, Aberdeen's current research shows that organizations are also battling against internal challenges. Thirty-percent (30%) of companies lack a consolidated / unified view of their customers. This results in potential discrepancies generated by client interactions. For example, an account might call a company to complain about an existing product or service, and shortly thereafter be contacted by a sales rep pitching a new product or service. Findings from Aberdeen's September 2011 Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential research established that having a single view of customer data by all relevant stakeholders within the organization helps companies avoid such conflicts. A single view of the customer is a critical tool for engaging accounts with relevant and timely content, one that only two-thirds of all companies currently possess.

## The Maturity Class Framework

Aberdeen used four key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations.

**Table 1: Top Performers Earn Best-in-Class Status**

Definition of Maturity Class	Mean Class Performance
<b>Best-in-Class: Top 20%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 82% customer retention rate</li> <li>▪ 34.7% average year-over-year improvement (decrease) in response time to customer inquiries; 74% showed improvement</li> <li>▪ 21.4% average year-over-year improvement in average customer lifetime value; 73% showed improvement</li> <li>▪ 19.8% average year-over-year improvement in customer satisfaction; 87% showed improvement</li> </ul>
<b>Industry Average: Middle 50%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 77% customer retention rate</li> <li>▪ 6.6% average year-over-year improvement (decrease) in response time to customer inquiries; 49% showed improvement</li> <li>▪ 2.7% average year-over-year improvement in average customer lifetime value; 28% showed improvement</li> <li>▪ 1.8% average year-over-year improvement in customer satisfaction; 51% showed improvement</li> </ul>

### Defining Metrics

The definition of each performance criteria in Table 1 is as follows;

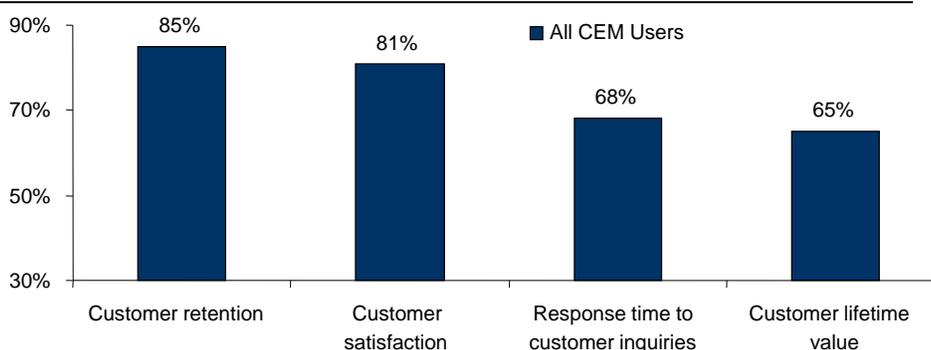
- √ **Customer retention:** The percentage of a company's existing customers that have done business with the company in the prior year
- √ **Response time to customer inquiries:** Year-over-year change in the amount of time it takes for a company to respond to any customer inquiry, regardless of the channel. A decrease in this metric reflects annual improvement while an increase denotes worsening of annual performance.
- √ **Customer lifetime value:** Year-over-year performance measure demonstrating the change in the average spend of a customer throughout the time they do business with the company. It is calculated through multiplying average customer spend with average customer lifetime.
- √ **Customer satisfaction:** Year-over-year change in satisfaction of a company's customers. There are multiple ways to measure this metric, but as this measure is reported only on a year-over-year basis, it is agnostic towards the different approaches used to measure customer satisfaction.

Definition of Maturity Class	Mean Class Performance
<b>Laggard: Bottom 30%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 24% customer retention rate</li> <li>▪ 2.8% average year-over-year <u>worsening</u> of (increase in) response time to customer inquiries; 21% showed improvement</li> <li>▪ 2.6% average year-over-year <u>decline</u> in average customer lifetime value; 14% showed improvement</li> <li>▪ 5.5% average year-over-year <u>decline</u> in customer satisfaction; 32% showed improvement</li> </ul>

Source: Aberdeen Group, October 2011

Why did Aberdeen use the above performance criteria to determine performance results in CEM activities? Survey respondents were independently asked to identify which metrics are the most valuable when it comes to evaluating the business impact of their CEM initiatives (Figure 3). More than half of all CEM users participating in the study indicated the above key performance indicators (KPIs) as the most valuable measures to assess the impact of their account interactions.

**Figure 3: The Value of Metrics in Measuring CEM Results**



Percent of respondents indicating as valuable metrics to measure CEM performance, n=252

Source: Aberdeen Group, October 2011

### The Best-in-Class PACE Model

Using CEM as a strategic lever to achieve organizational goals and mitigate the pressures mentioned above requires a combination of strategic actions, business processes, and enabling technologies that can be summarized as shown in Table 2.

**Table 2: The Best-in-Class PACE Framework**

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> <li>▪ Increasingly competitive business landscape</li> </ul>	<ul style="list-style-type: none"> <li>▪ Track, capture and utilize customer experience</li> </ul>	<ul style="list-style-type: none"> <li>▪ Collect customer feedback through one or more channel(s)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Database management</li> <li>▪ Customer Relationship Management (CRM)</li> </ul>

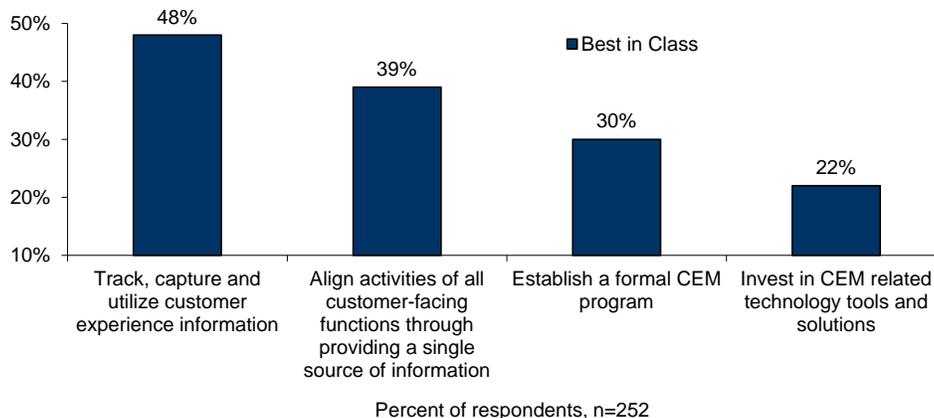
Pressures	Actions	Capabilities	Enablers
(i.e. competitive threats)	information (e.g. purchase history, service calls) <ul style="list-style-type: none"> <li>Align activities of all customer-facing functions through providing a single source of information accessible to all stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Formal strategy to change company culture to become more customer-centric</li> <li>Standardize customer data across the organization</li> <li>Segment customers by criteria</li> <li>Analyze the results of all customer interactions on influencing customer behavior</li> <li>Proactively identify and target those customers most likely to detract</li> <li>Internal communities to support sharing of key customer information</li> </ul>	<ul style="list-style-type: none"> <li>Customer feedback management</li> <li>Data quality / integration</li> <li>Customer analytics</li> <li>Customer segmentation tool</li> <li>Predictive analytics</li> <li>Customer communications management</li> <li>Web content management</li> <li>Email integration</li> <li>Social collaboration</li> <li>IM integration</li> </ul>

Source: Aberdeen Group, October 2011

### Best-in-Class Strategies

Findings from this study reveal companies use several core strategies to manage CEM activity (Figure 4). The top strategy pertains to customer experience data -- approximately half (48%) of all companies participating in this study indicate that tracking, capturing and utilizing customer experience (e.g. behavioral, demographic and feedback) data is a key ingredient of their CEM activities. Insights captured from customer experience information allow companies to target more effectively and engage their customers in a personalized manner.

**Figure 4: Best-in-Class Strategies are centered on Customer Data**



"Through deploying our CEM program, we now have a greater and in-depth understanding of our customers, their purchase trends and what they expect from us."

~ Director of Marketing at Mid-size Health / Medical / Dental Devices Company based in the U.S.

Source: Aberdeen Group, October 2011

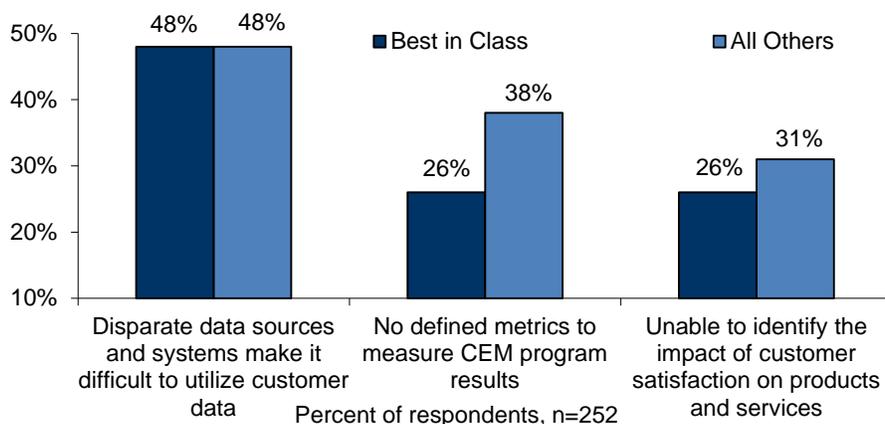
The second top strategy also pertains to customer experience data; 33% of all companies with CEM initiatives in place indicated that they are keen on creating a unified view of customer data for stakeholders within each customer-facing department (sales, marketing, service, etc.). Aberdeen's March 2010 [\*Providing a 360° View of the Customer - Better Service - Higher Sales\*](#) and September 2011 [\*Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential\*](#) studies affirm the value of this strategy; trend analysis from these research reports reveal that creating a unified view of customer data is the leading strategy used by approximately half of all organizations in both 2010 and 2011 to improve their customer engagement efforts.

In addition to the strategies revolving around customer experience data, 28% of all companies indicated that establishing a formal CEM program was a key strategy for managing their customer management activities. This finding shows us that approximately one-third of all businesses with active customer management activities still don't have a formal program to guide these efforts. Data from this study demonstrates the impact of executive buy-in and sponsorship on establishing such formal programs - companies with an executive-level champion are 2.4-times more likely (36% vs. 15%) to have a formal CEM program than those without such a sponsor.

### Roadblocks in Implementing CEM Strategies

Research shows that businesses face several obstacles to implementing CEM strategies (Figure 5).

**Figure 5: Challenges in Executing CEM Strategies**



Source: Aberdeen Group, October 2011

As a result of the continuous growth and complexity of customer touch-points across multiple channels, businesses are collecting vast amount of data related to their customers. While this information is a critical component of creating personalized customer interactions, due to the sheer volume of data 48% of both Best-in-Class and All Other (Industry Average and Laggard) organizations are struggling to synchronize customer data with

### Best-in-Class Metrics

Best-in-Class companies in each of the following reports achieved improvements in the following performance measures;

[\*Providing a 360° View of the Customer - Better Service - Higher Sales\*](#); March 2010:

- √ Customer retention
- √ Customer satisfaction
- √ Subordinates' time spent searching for customer data
- √ Net client value

[\*Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential\*](#); September 2011:

- √ Customer retention
- √ Overall team attainment of sales quota
- √ Average sales cycle

their back-end systems and use this data to personalize business activities based on client needs. Industry practitioners commonly refer to this challenge as "big data" - a term used to describe a vast amount of structured and / or unstructured data within a company's database which would require significant resources (time, money, labor) to manage and analyze. Organizations must solve this challenge to use customer data to help the business.

The second obstacle companies face in implementing their CEM strategies is related to measurement. Data from the survey validates the saying; "You can't manage if you don't measure." More than one-third (38%) of All Others are struggling to manage their CEM activities because they don't have defined KPIs to measure the results of these activities. Understanding the impact of each CEM activity at every customer touch-point allows companies to steer their customer management efforts, and avoid or reduce costly errors. Despite knowing the metrics relevant to measuring their performance, the remainder (approximately two-third) of All Other companies with defined key performance measures, achieve sub-par performance due to their limited adoption of best practices.

Businesses are challenged on a tactical level as well; 29% of all companies are struggling to correlate customer satisfaction results with their products and services. This is an area where both product and service managers and the executive level should pay particular attention. These businesses are struggling to provide their customers with products and services that satisfy their needs. Using CEM activities on a tactical level would help these organizations differentiate themselves from the competition, by providing customers with the most relevant product and service offerings. Businesses capturing customer feedback at least once a week are 35% less likely to struggle from this challenge, compared to those that are not capturing customer feedback at all or on a less frequent basis.

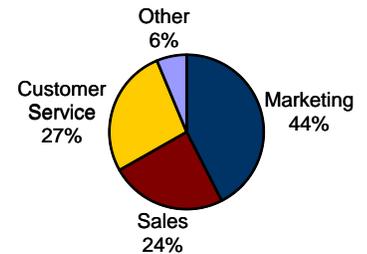
### Strategy Insight: Value of Employee Buy-in/Engagement

Despite the myriad tools and business processes that can be used to automate customer interactions, employees cannot be automated. Thirty-five percent (35%) of the respondents indicated employee-related issues (lack of stakeholder buy-in and interdepartmental cooperation) as key challenges to implementing their CEM programs. Companies with no or minimal employee buy-in and cooperation on customer management initiatives are less likely to improve their client interaction results, which ultimately determine customer delight.

continued

### Building a Business Case & Budgeting for CEM Programs

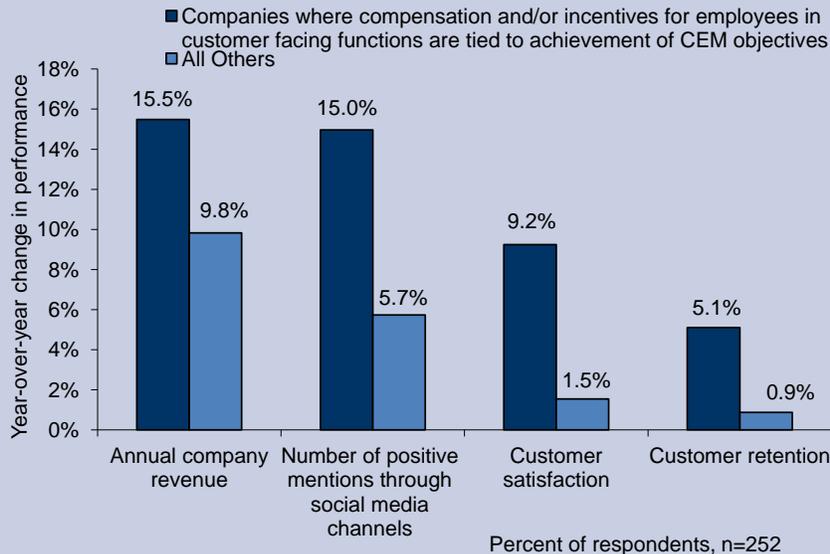
The chart below shows the percentage contribution of CEM budget by departments;



- ✓ Research shows that 100% of all companies doing cost-benefit analysis of their CEM activities are able to build an internal business case and create a shared understanding of the business value of CEM programs.
- ✓ If any one of the 3 major pillars (Marketing, Sales and Service) of CEM programs are not involved in your organization's CEM program, start doing cost-benefit analysis to identify the current and potential impact of CEM activities on both departmental and organizational results in order to get them on board.

**Strategy Insight: Value of Employee Buy-in/Engagement**

**Figure 6: Employee Impact on Year-over-Year CEM Results**



Source: Aberdeen Group, October 2011

Figure 6 shows that businesses that tie employee compensation and / or incentives to achievement of CEM objectives enjoy improvements in many key performance measures, including annual company revenue and customer satisfaction. Best-in-Class realize the value of this approach, as demonstrated by their adoption (52%), while Industry Average (42%) and Laggards (17%) are yet to understand the impact of the "people factor" on creating satisfied customers and improving business results.

"The first step of our CEM programs was communicating why and how customer satisfaction matters to our employees. Having employee buy-in and involvement comes first and foremost in driving success through CEM."

~ VP of Customer Channels at Large Utilities Company based in the U.S.

In the next chapter, we will see what the top performers are doing to achieve the performance gains highlighted in Table I.

## Chapter Two: Benchmarking Requirements for Success

Figure 4 above showed the CEM strategies which help the Best-in-Class improve their top-line results. So what is the secret sauce that helps top-performing companies implement those strategies effectively and achieve the results highlighted in Table 1? The answer lies in the business processes and technologies that support these strategies to create a full-blown, Best-in-Class CEM program. Deploying these capabilities and enablers helps companies have better, more profitable customer interactions.

### Case Study — Kronos

Kronos is a leading international workforce management solution provider. The company has had a formal CEM program for more than 10 years. The program has always had a strategic focus on capturing customer feedback to understand customers' overall experience with Kronos solutions, including their requests for future enhancements. Until 2009, the core of the company's CEM initiative revolved around capturing customer feedback via phone interviews conducted by a third party provider. "In 2009, we made a strategic decision to expand the scope of our feedback collection by replacing the phone interviews with web-based surveys delivered via a SaaS CEM solution. This allows us to more cost effectively collect feedback from more customers in a more timely fashion, thereby enhancing our confidence level in the insights we derive from this data. The CEM platform has the additional benefits of automating our closed loop follow up process with customers and provides built-in reporting and analytics capabilities. Our cross-channel CEM program also includes monitoring and responding to customer feedback acquired through social media channels," says Joyce Maroney, Senior Director of Customer Experience Measurement and Services Marketing at Kronos.

As part of implementing the CEM platform, the Kronos CEM team worked closely with the IT department to integrate customer demographic and firmographic data from their enterprise systems with the feedback data. Maroney notes; "Providing this contextual view of customer data is a critical component of our ability to analyze the results of all the touchpoints we measure and make determinations about how to solve both individual customer issues as well as more systemic root causes that impact our customers' experience." Kronos is continually improving its reporting strategies to enhance the relevancy of insight derived from customer data to the stakeholders who can act upon it. "Simply collecting data is not sufficient; what's more important is providing insights based off of this data to the rest of the organization. We support each stakeholder with relevant views of customer data based on their unique needs," adds Maroney.

### Did You Know?

Shaving off 1% from their customer turnover rate helped companies participating in this research save 17% of potential decline in annual company revenue due to customer turnover. Assuming a company grossing \$100 million dollar per year, this means that reducing customer turnover rate by 4% (from an assumed 43% to 39%) would help the company save approximately \$680,000 of potentially lost company revenue due to customer turnover.

"Simply collecting data is not sufficient; what's more important is providing insights based off of this data to the rest of the organization. We support each stakeholder with relevant views of customer data based on their unique needs."

~ Joyce Maroney, Senior  
Director of Customer  
Experience Management and  
Service Marketing, Kronos

### Case Study — Kronos

Over the past 10 years, Kronos' CEM activities helped the company achieve its business objectives. The company's average customer retention rate (~95%) is 16% greater than that of the average Best-in-Class company. "Expanding the scope of our CEM initiative has empowered us with greater volume and depth of customer insights to support our business activities. The ultimate goal of our CEM program is to ensure that we're earning our customers' loyalty by delivering the experience they expect," concludes Maroney.

### Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices in CEM, and correlate directly with Best-in-Class performance across the key metrics.

**Table 3: The Competitive Framework**

	Best-in-Class	Average	Laggards
<b>Process</b>	Collect customer feedback through one or more channel(s)		
	91%	75%	67%
	Synchronize cross-channel customer engagement activities to ensure consistency		
<b>Organization</b>	55%	38%	24%
	Identify most influential customers within social media platforms		
	48%	28%	17%
<b>Knowledge</b>	Formal strategy to change company culture to become more customer-centric		
	86%	51%	39%
	Established client retention program to nurture customer win-backs		
<b>Performance Management</b>	67%	44%	19%
	Standardize customer data across the organization		
	73%	44%	32%

	Best-in-Class	Average	Laggards
	Segment customers by criteria (e.g. decision maker, influencer, region)		
	64%	54%	45%
<b>Enabling Technologies</b>	<ul style="list-style-type: none"> <li>▪ 86% Database management</li> <li>▪ 77% CRM</li> <li>▪ 73% Customer feedback management</li> <li>▪ 55% Customer analytics</li> </ul>	<ul style="list-style-type: none"> <li>▪ 67% Database management</li> <li>▪ 64% CRM</li> <li>▪ 61% Customer feedback management</li> <li>▪ 47% Customer analytics</li> </ul>	<ul style="list-style-type: none"> <li>▪ 43% Database management</li> <li>▪ 52% CRM</li> <li>▪ 55% Customer feedback management</li> <li>▪ 41% Customer analytics</li> </ul>
	Report customer engagement performance results by role		
	65%	36%	32%
<b>Performance</b>	Analyze the results of all customer interactions (e.g. messaging, channel, time) on influencing customer behavior		
	62%	29%	24%

Source: Aberdeen Group, October 2011

## Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end user companies, Aberdeen’s analysis of the Best-in-Class demonstrates that these top performers are focused on using certain business processes and technologies to achieve top results in their CEM initiatives.

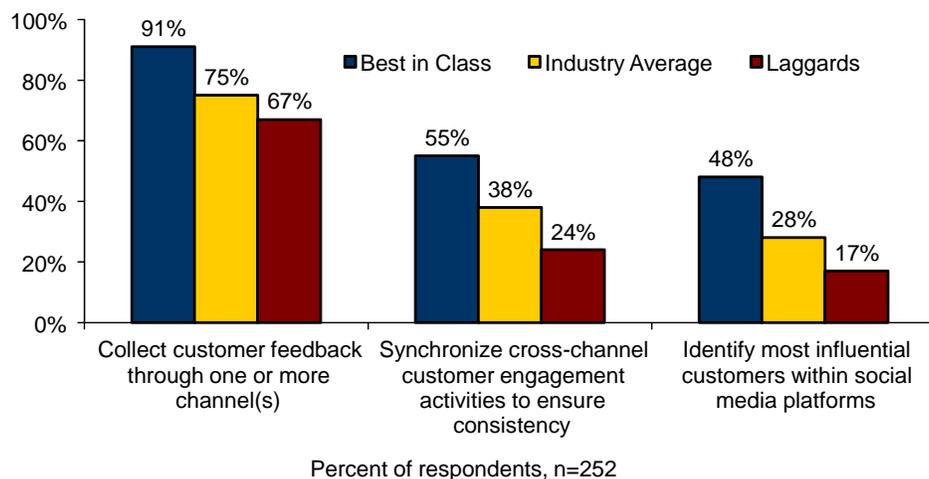
### Process

As demonstrated in Figure 2 above, organizations looking to improve their customer engagement results must understand customers' thoughts and behavior, and incorporate that information into their business activities. It doesn't take a fortune teller to accomplish this: building a process to capture customer feedback across multiple customer touch-points / channels (i.e. email, social, call center, web) through activities like 'root cause analysis' - identifying the factors that resulted in certain problems or events - allows organizations to understand what drives their customers' behavior. The research shows that 91% of all top-performing companies deploy such a multi-channel customer feedback management mechanism, compared to 72% of All Other (Industry Average and Laggard) companies (Figure 7).

"Creating organizational visibility and awareness throughout the business (all employees) regarding customer feedback and needs is one of the key ingredients in building CEM programs that evolve continuously based on the changing needs of customers."

~ Deb Pitman, Director of Project Management, Orbis Corporation

**Figure 7: Process Capabilities**



Source: Aberdeen Group, October 2011

As a result of increasing consumer use of social media portals and mobile devices, businesses today have more customer-facing channels at their disposal than ever before. In fact, data from this study shows that more than half (56%) of all companies use at least five different channels to engage with their clients. While this gives businesses more ways to reach prospects, how does this increase in quantity impact the quality of account interactions? Ensuring consistency of the customer engagement activities through multiple channels has a direct influence on creating happy clients. Companies synchronizing their cross-channel account engagement activities with an eye toward consistency improve customer satisfaction by twice more (5.9% vs. 2.9%) year-over-year, compared to businesses without such consistency.

Aberdeen’s October 2011 [The Marketing Executive’s Agenda for 2012](#) research shows that 46% of all businesses struggle from lack of budget to support their customer engagement activities. This means that organizations are required to make the most of every dollar spent. While social media presents new uncharted opportunities for most companies, it’s still a daunting task to determine which customers to target within the maze of social networks. Best-in-Class companies solve this challenge by focusing on influential customers that impact customer opinions and activities through social channels. Top performers are 2.8-times more likely (48% vs. 17%) than Laggard businesses to use this process. In addition, businesses with this process in place achieve 7.6-times greater (29.2% vs. 3.4%) year-over-year improvement in the number of positive mentions through social media channels.

**Organization**

Forty-three percent (43%) of all companies with CEM initiatives indicated understanding their customers’ wants and needs as a top priority. Customer delight begins with establishing an organizational mindset where every stakeholder puts the customer first and understands the value of customer-

**What’s Your ROI from Customer Retention**

- √ Based on findings from this research, Aberdeen has created an ROI calculator that helps you identify the impact of customer retention on helping your organization save annual revenue that might have otherwise been lost due to customer turnover.
- √ Click on the below URL to take an express assessment and learn your ROI along with a personalized scorecard providing personalized recommendations to help you improve your business results.

centricity. Without a formal organizational commitment from the executive level on down to have each stakeholder value the customer, businesses will only achieve minimal results from customer management. Best-in-Class organizations are 69% more likely (86% vs. 51%) than Industry Average and 121% more likely (86% vs. 39%) than Laggards to have a formal company strategy that focuses on attending the needs of each client.

One way to communicate the importance of a customer-centric mindset is through employee training. Sixty-five percent (65%) of top performing organizations train employees on the importance of delivering superior customer experiences. Data indicates that those companies providing cross-departmental training on the value and techniques for customer experience improvements are 11% less likely to be challenged by rapidly changing customer expectations, compared to those that don't provide such training. Figure 8 demonstrates the year-over-year performance results of companies that train their employees on the value and techniques for CEM improvements.

**Figure 8: Training Employees on the Value of CEM**



Source: Aberdeen Group, October 2011

"One of the building blocks of our CEM activities involves creating engaged employees to improve our customer interaction results, and even support new product development efforts."

~ Director of Corporate Supply Chain at Large International Auto Company based in the U.S.

As illustrated in Figure 3 above, when asked to identify the most valuable measure(s) used to assess the effectiveness of their customer management activities, more than 85% of all companies indicated customer retention as a key metric -- reflecting the close correlation between customer delight and business results. When a customer stops doing business with an organization, businesses normally should follow-up with those former clients and sometimes win the account back. However, follow-up does not guarantee that clients will respond positively or remain loyal if won back. It is critical to target those returning accounts with retention programs to re-engage them with the company. Retention programs should go beyond returning customers, and include existing customers to reduce turnover. Companies that establish such client retention programs to nurture

customer win-backs retain 19% more (70% vs. 59%) of their customers than companies without such retention programs.

## Knowledge Management

It's vital to standardize customer data across the organization before implementing the top CEM strategies - track, capture and utilize customer experience information, and align customer-facing functions through a unified/single view of customers. While 73% of Best-in-Class organizations have already taken this step, 61% of All Others have not standardized customer data. The first step toward standardizing customer data is identifying the information the organization needs to manage customer interactions. Companies must scrub, cleanse and compile this data into a standard view that can be used by the entire organization. More than half (59%) of all respondents that standardize customer data also use data quality and integration and / or database management tools. Organizations with standardized customer data are 12% less likely to be challenged by data integrity between disparate data sources and systems, compared to companies without standardization of customer data.

This information should also be used to segment customers demographically and by their role in purchase decisions. Companies which segment customers can better target and personalize CEM activities. Determining whether a prospect is a decision-maker or an influencer allows businesses to customize their messages accordingly, increasing the effectiveness of marketing campaigns. Aberdeen's December 2010 [Email Marketing: Customers Take It Personally](#) study reveals that top performing companies are 15% more likely than All Others to use customer behavioral data to segment their customers.

## Technology

Best-in-Class firms are much more likely to implement the following technologies to capture and use customer intelligence to generate business activities and results that satisfy customers and shareholders:

- **Database management.** Eighty-six percent (86%) of the Best-in-Class selected database management tools as a technology enabler helping their businesses to manage their CEM activities. Forty-six percent (46%) of respondents are struggling with managing account data to support their activities, and database management provides the remedy for this challenge. Database management helps organizations streamline back-end data management, so that each stakeholder can be empowered with timely and relevant customer intelligence. Companies using this technology are 23% more likely (37% vs. 30%) to report they are satisfied with their ability to make timely and quality CEM decisions than companies without this technology.
- **CRM.** Organizations that want to create contextual customer interactions - targeting the right customer with the right message at

### Maturity Class Definitions

The following Key Performance Indicators (KPIs) were used to determine the Best-in-Class for the [Email Marketing: Customers Take It Personally](#) report:

- ✓ Percentage of sales forecasted pipeline generated by marketing campaigns
- ✓ Year-over-year change in revenue generated from email campaigns
- ✓ Year-over-year change in click-through rates from mass email campaigns

the right time through the right channel - must be able to integrate data within their day-to-day and strategic activities. CRM solutions allow companies to store and share crucial account information, which helps both customer-facing (sales, marketing and service) and non-customer facing functions (IT, accounting) access and use client data to do their jobs better when it comes to such contextualization. Yearly trend analysis from Aberdeen's March 2010 [Providing a 360° View of the Customer - Better Service - Higher Sales](#) and September 2011 [Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential](#) studies reveal that the use of CRM systems has increased by more than 20% across sales, marketing and service departments, demonstrating the importance of this technology in CEM efforts (Table 4).

**Table 4: Year-over-Year CRM Adoption**

	2011	2010
<b>Sales</b>	66%	50%
<b>Service</b>	55%	46%
<b>Marketing</b>	53%	41%

Source: Aberdeen Group, November 2011

- Customer feedback management.** Best-in-Class companies are 26% more likely than All Others (73% vs. 58%) to use this technology in their CEM initiatives. Customer feedback management solutions help companies track and capture critical customer data that reflects how customers perceive a company's products or services and reveals their satisfaction. Use of this technology is an essential ingredient of best practice CEM deployments - it allows companies to capture the voice of their customers through tracking and managing customer experience data. Aberdeen's March 2009 [The ROI on Customer Feedback: Why It Pays to Listen to the Voice of the Customer](#) report shows that top-performing companies using customer feedback management achieve the performance results illustrated in the sidebar.
- Customer analytics.** Customer analytics tools help businesses use customer data effectively within their business activities. Research shows that Best-in-Class companies are 22% more likely than all others (55% vs. 41%) to deploy customer analytics to support their CEM initiatives. Furthermore, businesses using this technology outperform those that don't by 90% (17.3% vs. 9.1%) in year-over-year improvement of annual company revenue, proving that customer analytics tools can help companies improve their top-line revenue results.

**Impact of Customer Feedback**

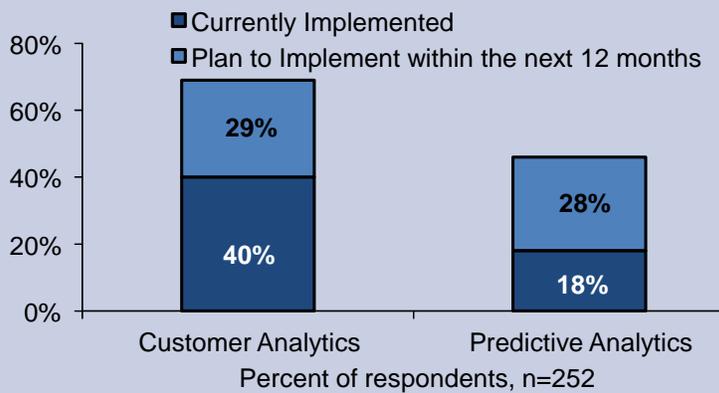
Best-in-Class companies participating in Aberdeen's March 2009 [The ROI on Customer Feedback: Why It Pays to Listen to the Voice of the Customer](#) study achieved the following performance results through effective use of customer feedback management:

- √ **94%** improved year-over-year customer problem resolution rate, compared to **24%** improvement for Laggards
- √ **90%** improved year-over-year customer satisfaction rate, compared to **5%** improvement for Laggards
- √ **89%** improved year-over-year customer retention rate, compared to **2%** improvement for Laggards
- √ **72%** improved year-over-year customer advocacy rate, compared to **10%** improvement for Laggards

### Technology Insight: Flip a Coin - Past or Future

The common denominator of CEM initiatives among most organizations is customer data. While customer data is used differently in different companies, departments and individuals, at the most basic level, customer data can describe a client's activity in either the past or the future (or both). Companies are more likely to be able to glean insights on results of past account activity - 64% indicate that they formally measure the results of each historical and recent customer interaction. On the other hand, only 15% of all companies indicate that they can predict future customer behavior / results through existing data. Analytical tools are a critical component for providing businesses with the intelligence that can be used to create both contextual and potential prospect / customer conversations.

**Figure 9: Planned Adoption of Analytical Tools**



Source: Aberdeen Group, October 2011

Figure 9 above reflects the difference in current adoption of customer analytics and predictive analytics tools by companies with active customer management efforts. The relatively high planned adoption numbers show that companies realize the business value of both past and future customer data, and will invest in both technologies to strengthen their customer interactions.

### Performance Management

While providing stakeholders with crucial customer experience data can give them the key insights they need to achieve their objectives, it is also important and beneficial to ensure they are protected from excessive or irrelevant information - which would otherwise consume their limited time. For example, giving too much information to a sales director who only needs an overall view of account activities is not the best use of the sales director's time, whereas giving too little information to a sales rep who needs a detailed view of account information is just as bad. Reporting customer engagement results differently to different job roles and titles will

help employees (and ultimately businesses) manage their time and achieve their goals. Companies with such role-based views of CEM results improve year-over-year sales team quota attainment 4.9-times more than those without (13.4% vs. 2.8%). Each employee at these companies can see the information most relevant to their role, and take rapid action based on customer information.

Aberdeen's November 2011 research *Customer Relevancy Drives Precision Marketing in the Mobile Channel* highlights the importance of engaging customers in relevant contextual conversations - reaching customers with the optimal context (message, timing, channel, delivery and device). To create such contextual conversations, organizations must be able to correlate customer behavioral data with account interaction results. Sixty-two percent (62%) of Best-in-Class companies connect these dots, compared with 24% of Laggard organizations. Businesses with this capability enjoy 5.8% year-over-year increase in average profit margin per customer, compared to a 1.0% year-over-year decline for All Others.

Helping our customer-facing staff with meaningful and actionable data enables them with information they can use to improve their business activities, ultimately helping our company achieve our objectives."

~ Ann Blaya-Arena, VP of  
Service Delivery, BirdDog  
Solutions

## Chapter Three: Required Actions

Whether a company is trying to improve its customer delight and organizational performance from Laggard to Industry Average, Industry Average to Best-in-Class, or to maintain its Best-in-Class status, the following actions will help spur the necessary changes:

### Laggard Steps to Success

- **Become customer-centric.** Only 39% of Laggards report customer-centricity as a core piece of their company culture. If you have not yet put your customers in the front and center of all your business activities, think again; those who do improve their annual company revenue by 21.5% year-over-year, compared to 6.6% for those who don't.
- **Build executive sponsorship.** Seventeen percent (17%) of Laggard businesses participating in the study indicated that there is no executive sponsorship of CEM initiatives in their business. Contrast this with **100%** of the Best-in-Class, who know that improving business results through customer management activities requires support and keen attention from the executive level. Companies with executive-level sponsorship of CEM initiatives are approximately 10-times (91% vs. 9%) more likely to achieve Industry Average or Best-in-Class status, compared to businesses with orphan CEM efforts.

### Industry Average Steps to Success

- **Strive for a single view of your customers.** Aligning activities of all customer-facing functions by providing unified and consistent views of customer information was cited as the top CEM strategy by 41% of Industry Average organizations participating in this study. A close look at survey data, however, shows that 43% of Industry Average organizations pursuing this strategy are still challenged by fragmented views of customer data. Aberdeen's September 2011 [\*Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential\*](#) research shows that the following actions can address this challenge and achieve a single view of customers: 1. Integrate multiple internal data repositories; 2. Standardize on a single CRM or ERP; 3. Regularly review or clean customer database to ensure accuracy.
- **Map your customer interactions.** Model the customer buying behavior process, to provide visibility into the value of each customer touch-point in moving customers through the buying cycle - from awareness, to interest, to consideration, to negotiation, to purchase, to up-sell/cross-sell to retention, all the way up to loyalty. Such visibility will allow your organization to optimize each

#### Fast Facts

Research indicates that companies are capturing customer feedback at the following frequencies;

- ✓ **Real-time** - 32%
- ✓ **Daily** - 35%
- ✓ **Weekly** - 44%
- ✓ **Monthly** - 59%
- ✓ **Quarterly** - 81%
- ✓ **Bi-annually** - 90%
- ✓ **Annually** - 98%

### How Does Your Performance Compare to the Best-in-Class?



- Compare your processes
- Receive a free, personal PDF scorecard
- Benefit from custom recommendations to improve your performance, based on the research

**Take the Assessment**

Receive Your Free Scorecard

customer interaction. Businesses mapping their customer interactions enjoy 4.7-times greater (10.8% vs. 2.3%) year-over-year improvement in return on marketing investments, compared to those that are not mapping customer touch-points.

"Our CEM initiatives played a major role in helping us become the successful company that we are today."

~ Chris Manning, Sales and Marketing Manager, Shepherd Color

## Best-in-Class Steps to Success

- **Leverage analytical tools.** Despite the relatively higher adoption rates of customer analytics and predictive analytics technologies by Best-in-Class, 52% of all these top performing companies are still not leveraging these solutions in their CEM efforts. Analytical tools switch the CEM engine to full-gear. These technologies help businesses realize their full-potential by optimizing both existing and future customer interactions.
- **Be proactive in controlling customer turnover.** Capturing customer behavioral and feedback information allows organizations to detect anomalies in customer satisfaction, and allows the organization to engage customers in a timely manner and discover the root cause of any problems. While half of all top performing companies use automated alerts to notify customer-facing employees of a poor customer experience, the other 50% are still flying in the dark, and likely become aware of a poor customer experience only after a customer stops doing business with them. The half of the Best-in-Class that are proactive in controlling customer turnover use technology tools such as customer feedback management (70% vs. 50%) and social media monitoring (58% vs. 52%) more than those which prefer the "happy go lucky" approach. The results of these approaches speak for themselves; businesses that are more proactive have 15% greater customer retention rate, compared to those that are not.

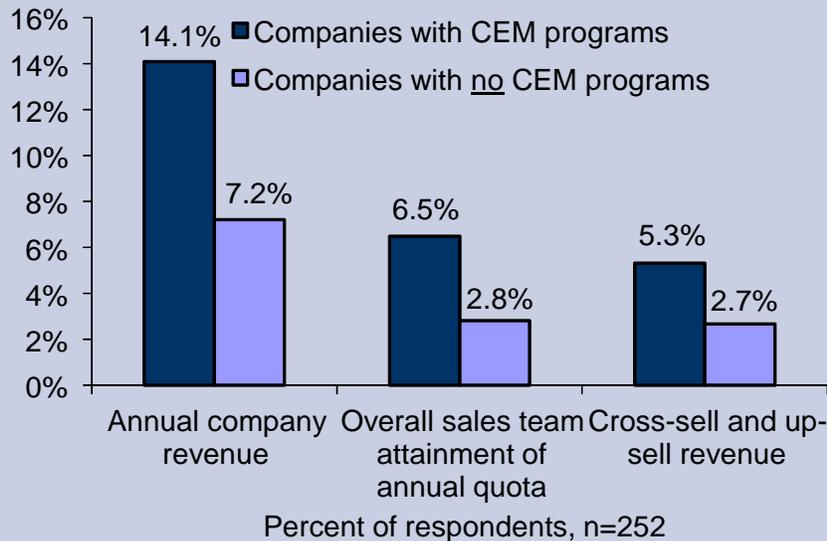
### Summary - The Value of Customer Delight

Today's business landscape is classically Darwinian - only the fittest survive. Faced with immense competition and the rattling impacts of constant economic turmoil, companies are turning to their most strategic asset to survive and thrive: their customers. Delighting customers is no easy task, for with the wide adoption and use of social platforms and mobile devices, customers know almost everything about a company before they engage with them. Delighting customers requires a consistent and systematic approach in which companies capture, manage and use data as a strategic lever for engaging with clients. Adding analytics and an organizational focus on customer-centricity completes the mix required for a 5-star CEM program.

continued

### Summary - The Value of Customer Delight

**Figure 10: The Performance Impact of CEM Tools**



Source: Aberdeen Group, November 2011

Figure 10 demonstrates that in addition to the Best-in-Class metrics highlighted in this study, companies with formal customer management initiatives outperform those that are not using CEM in several key measures, including annual company revenue, overall sales team attainment of quota and cross-sell and up-sell revenue. While simply having a formal CEM program allows organizations to improve their annual company revenue approximately two times as much as those without one, a combination of the strategies, business processes and technologies outlined in this paper can help businesses achieve CEM nirvana.

## Appendix A: Research Methodology

Between September and October of 2011, Aberdeen examined the use, the experiences, and the intentions of 252 enterprises using customer experience management tools and processes that impact their business activities.

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on CEM strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: Manager (27%); Director (19%); CEO / President (17%); EVP / SVP / VP (14%); General Manager / Managing Director (6%); and other (17%).
- *Department / function:* The research sample included respondents from the following departments or functions: marketing (28%); business development / sales (26%); corporate management (10%); IT (6%); customer service / support (6%); and other (24%).
- *Industry:* The research sample included respondents exclusively from IT consulting and services (19%), software (14%), telecommunications equipment/services (7%), industrial product/equipment manufacturing (7%), financial services (7%), health/medical/dental devices & services (6%), media / public relations (5%), retail (4%), and other (31%).
- *Geography:* The majority of respondents (65%) were from the Americas. Remaining respondents were from the EMEA (21%) region and Asia-Pacific (14%).
- *Company size:* Twenty-three percent (15%) of respondents were from large enterprises (annual revenues above US \$1 billion); 31% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 53% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* Twenty-three percent (31%) of respondents were from large enterprises (headcount greater than 1,000 employees); 30% were from midsize enterprises (headcount between 100 and 999 employees); and 39% of respondents were from small businesses (headcount between 1 and 99 employees).

### Study Focus

Responding executives, primarily in marketing, sales, corporate management and service roles, completed an online survey that included questions designed to determine the following:

- √ The degree to which CEM is deployed in their organization and the impact it has on achieving their business goals
- √ The structure, effectiveness and satisfaction with existing implementations that impact CEM results
- √ Current and planned use of CEM practices to achieve desired changes in customer retention rate, customer satisfaction rate, response time to customer inquiries and customer lifetime value
- √ The benefits, if any, that have been derived from CEM initiatives

The study aimed to identify emerging best practices for CEM usage, and to provide a framework by which readers could assess their own management capabilities.

**Table 5: The PACE Framework Key**

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p><b>Pressures</b> — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p><b>Actions</b> — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p><b>Capabilities</b> — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p><b>Enablers</b> — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, December 2011

**Table 6: The Competitive Framework Key**

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p><b>Best-in-Class (20%)</b> — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p><b>Industry Average (50%)</b> — Practices that represent the average or norm, and result in average industry performance.</p> <p><b>Laggards (30%)</b> — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p><b>Process</b> — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p><b>Organization</b> — How is your company currently organized to manage and optimize this particular process?</p> <p><b>Knowledge</b> — What visibility do you have into key data and intelligence required to manage this process?</p> <p><b>Technology</b> — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p><b>Performance</b> — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, December 2011

**Table 7: The Relationship Between PACE and the Competitive Framework**

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, December 2011

## Appendix B: Defining Customer Experience Management

Aberdeen defines CEM as a continuum of cross-channel and multi-channel business activities (sales, marketing and service) that can be observed in three mutually inclusive pieces; customer acquisition, customer engagement, and customer retention:

- **Customer acquisition** refers to any activity that involves creating a direct interaction between a business and its potential customers. The purpose of these interactions is primarily to convert potential customers/prospects into paying customers.
- **Customer engagement** refers to any customer-oriented activity that involves building relationships with potential and existing customers. The purpose of these interactions is to ensure that the organization has a firm understanding of the specific needs and preferences of each customer, while also helping customers learn more about the company (e.g. values, product/service offerings). This enables businesses to support customer acquisition activities by addressing the precise needs of each customer through creating 'contextual' (sending the right message to the right customer at the right time through the right channel(s) with the right content via the right device) conversations.
- **Customer retention** refers to any customer-oriented activity that takes place during and after customer engagement activities. The purpose of these interactions is to retain an organization's most important asset; its customers. Companies that implement successful customer retention programs enjoy the benefits of returning, loyal customers as well as customer advocates promoting the company on a pro-bono basis.

## Appendix C: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [\*The New Mobile Marketing Imperative: Measuring What Matters\*](#); October 2011
- [\*The Marketing Executive's Agenda for 2012: Uncovering the Hidden Sales Cycle\*](#); October 2011
- [\*Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential\*](#); September 2011
- [\*Metric-Driven Mobile Marketing: Increase Marketing's Revenue Contribution\*](#); August 2011
- [\*Social Media Connecting B2C Companies with Generation Y and Z Consumers\*](#); March 2011
- [\*Email Marketing: Customers Take It Personally\*](#); December 2010
- [\*Customer Experience Management: Engaging Loyal Customers to Evangelize Your Brand\*](#); September 2009
- [\*The ROI on Customer Feedback: Why It Pays to Listen to the Voice of the Customer\*](#); March 2009
- [\*Customer Experience Management: Is Your Entire Company Really Focused on the Customer?\*](#); August 2008

Information on these and any other Aberdeen publications can be found at [www.aberdeen.com](http://www.aberdeen.com).

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