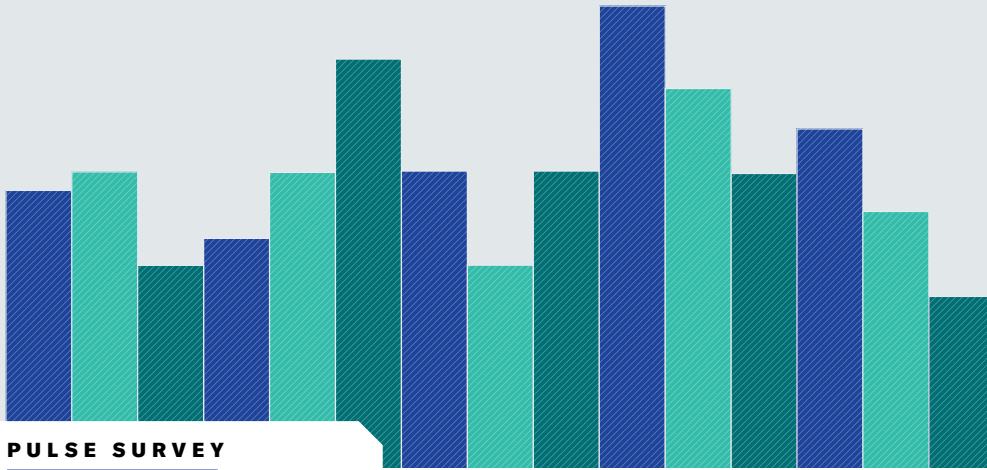**Harvard Business Review**

ANALYTIC SERVICES

Future-Proofing Businesses with Modern Customer Engagement

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Engaging your customers and delivering deep value to them has always been key to driving retention and repeat customers, and fueling a healthy business. During times of economic uncertainty, that engagement and retention become more important than ever. Now is the time to double down on creating an exceptional customer experience (CX)—one that's personalized, contextual, and engaging across the customer journey—and doing it in a highly efficient way that saves you money. The businesses that do this are the ones that will thrive and emerge as winners.

At Intercom, we believe that in the future, every interaction between successful internet businesses and their customers will be easy, proactive, personal, and efficient at scale. That's what modern customers will expect and demand. The very nature of internet businesses must and will change to provide these next-generation experiences. It's simple; businesses that engage their customers and deliver ongoing value will win.

But today, organizations of all sizes—from small businesses to enterprises—struggle to deliver personalized customer engagement at scale. According to this new research from Harvard Business Review Analytic Services, there are many factors holding them back. Executives say that disconnected, legacy tech stacks and siloed data are slowing their teams down and preventing personalization. In addition, many don't have the strategies, organizational structure, and culture needed. This leads to poor collaboration, lack of alignment, and ultimately, lost customers and revenue.

This report, sponsored by Intercom, sheds light on the current state of customer engagement and shares proven strategies to unlock consistent growth and efficiency, regardless of the economic outlook. It covers why adopting modern technology to fuel contextual, personalized customer engagement is key to attracting, engaging, nurturing, and helping customers across the customer journey.

You'll discover what bottom-line results executives are forecasting from their customer engagement efforts (hint: customer retention will play a key role), who should lead those initiatives, and much more. Beyond the what and the why, the report also shares the how. You'll learn actionable strategies from influential experts, including industry leaders and renowned authors and keynote speakers.

In times like these, your business may be faced with a critical juncture—how can you meet and exceed rising customer expectations with fewer resources? It's the teams that embrace modern technology and unite their tools and resources to create exceptional CXs that will win—and emerge stronger than ever. Check out the report to learn how.

Karen Peacock
Chief Executive Officer
Intercom

Future-Proofing Businesses with Modern Customer Engagement

No longer is a top-notch product enough to earn the lifelong loyalty of a customer; almost any product or service can be replicated by a fast-acting competitor. Rather, now more than ever, in today's highly competitive landscape coupled with a recent economic downturn, customer retention hinges on delivering exceptional, engaging experiences that meet consumers' unique needs with timely messaging, personalized communications, and consistent interactions across the company.

"As customers engage with leading brands that provide exceptional accuracy in their personalization and recommendations, they've come to expect that same level of service from all companies," says Blake Morgan, a keynote speaker on customer engagement and author of *The Customer of the Future: 10 Guiding Principles for Winning Tomorrow's Business*. "Accurate engagement today is more than just knowing a customer's name—it requires a deeper understanding of their preferences, values, and demographics to show that an organization cares and can provide relevant engagement."

To explore the value of customer engagement, Harvard Business Review Analytic Services conducted a survey of 317 executives in April 2022. Among the top findings: 92% of respondents consider having effective customer engagement "extremely critical" or "very critical" to their organization's success, and 88% agree that customer engagement has a significant impact on their organization's bottom line. In this case, customer engagement is defined as communicating with your customers over the course of their journey—from acquiring, onboarding, and nurturing to supporting and retaining—to help them get to the outcome they want.

HIGHLIGHTS

92% of survey respondents consider having **effective customer engagement "extremely critical" or "very critical"** to their organization's success.

88% agree that customer engagement has a **significant impact on their organization's bottom line**.

36% rate their **current customer engagement as "good,"** with a mere 9% saying it's "excellent."

Due to rounding, some figures in this report may not add up to 100%.

"Too often, organizations put all their efforts into customer service without seeing the bigger picture of customer engagement," says keynote speaker and author Blake Morgan.

But while customer engagement is widely recognized as being key to organizational success, the gap between customer expectations and reality is stark. Only 36% of organizations surveyed by Harvard Business Review Analytic Services rate their current customer engagement as "good," with a mere 9% saying "excellent."

Part of the challenge facing organizations today is adapting to a definition of customer experience (CX) that extends beyond great service. Indeed, providing accurate and timely advice on products and services can earn a customer's respect and trust. But customer engagement is about more than mastering a single touchpoint along the customer continuum; rather, it's about product, customer service, sales, and marketing teams coming together to build, nurture, and manage meaningful and lasting relationships with customers at every touchpoint in the customer journey.

"Too often, organizations put all their efforts into customer service without seeing the bigger picture of customer engagement," says Morgan. "Customer service is largely reactive, but great customer engagement is proactive and builds relationships with customers. Truly customer-centric organizations know that customer engagement is more than just strong customer service."

This report examines how organizations are redefining CX; the cultural, technological, and organizational obstacles they must overcome to engage customers; and how fostering a collaborative culture, eliminating data silos, deploying the right technologies, and investing in robust talent can help organizations bridge the gap between the goals they wish to achieve with customer engagement and the benefits that can be realized.

Overcoming Obstacles for Long-Term Wins

"Customer care is the new commerce," asserts Mohanbir Sawhney, an associate dean for digital innovation at the Kellogg School of Management, Northwestern University. The relationships organizations build with their customers can generate value for years to come. It's no wonder, then, that more than two-thirds of survey respondents (82%) say their organization has made customer engagement a high priority.

One of the top benefits of creating engaging, personalized CXs is increased customer loyalty and retention, according to 69% of survey respondents. **FIGURE 1** Due to a combination of savvy consumers and economic turmoil, brand allegiance is on a steady decline—a downward trend organizations hope "to reverse through customer engagement," according to Denise Lee Yohn, a brand leadership expert and author of *FUSION: How Integrating Brand and Culture Powers the World's Greatest Companies.*

Other benefits respondents say organizations most aim to realize from their customer engagement efforts include improved customer relationships/satisfaction (59%) and increased revenue growth and profitability (59%).

But attaining these goals requires overcoming considerable obstacles, the largest of which pertain to siloed teams and data.

FIGURE 1

Organizations Aim for Increased Customer Loyalty

Building long-term relationships with customers tops business priorities.

What business benefits does your organization most aim to realize from its customer engagement efforts? [SELECT UP TO THREE]

69%
Increased customer loyalty/retention

59
Improved customer relationships/satisfaction

59
Increased revenue growth/profitability

42
Improved brand reputation

23
Increased customer advocacy

23
Increased lead generation/customer prospects

6
Shortened sales cycle

1
Other

Source: Harvard Business Review Analytic Services survey, April 2022

"Different data resides in different departments or on different databases, managed by different people. The company is sitting on all of this really valuable data, but it's not being integrated," says Denise Lee Yohn, a brand leadership expert and author.

Almost half (44%) of respondents say a lack of collaboration and siloed efforts are among the top impediments to successful customer engagement. **FIGURE 2** When departments fail to share information, pool resources, and identify enterprise-wide strengths and weaknesses, it's often the customer who pays the price. Functional departments, such as customer service, sales, and marketing, should work together to ensure customers receive an excellent and consistent experience no matter where they are in their buying journey.

Another reason customer engagement efforts fail is because organizations don't distribute data-driven customer insights throughout the organization, cited by 32% of respondents. Customer data that is siloed or hard to extract insights from is the next most-selected customer engagement challenge, according to 32% of respondents.

It's easy to understand why poor collaboration, uneven distribution of insights, and siloed data top the list of challenges to customer engagement. The cloud makes it easier than ever for departments to launch their own applications, resulting in a fragmented IT landscape of data silos. "Different data resides in different departments or on different databases, managed by different people," says Yohn. "The company is sitting on all of this really valuable data, but it's not being integrated."

In addition to poorly integrating data, many companies make the mistake of prudently distributing data based on role or function. But as the lines between sales, marketing, product, and support blur, sharing information across departments becomes increasingly critical to customer engagement. "Companies often restrict insights about their customers, customer data, and research findings to the sales or marketing group or to certain levels of the organization," says Morgan, customer engagement speaker and author. "But it's really important that companies democratize their customer insights and make sure that the information they have about their customers is well distributed and understood throughout the organization."

Another hindrance to deriving value from customer engagement efforts is a scarcity of proper talent and technologies. Nearly one-third (30%) of survey respondents say a lack of in-house customer engagement expertise or experience is one of the greatest challenges of customer engagement. In fact, 73% "strongly agree" or "somewhat agree" that their organization needs employees with experience and

FIGURE 2

Siloed Teams and Data Issues Impede Progress

Challenges call for greater collaboration and integration across the enterprise.

What are the greatest challenges your organization faces in its customer engagement efforts? [SELECT UP TO THREE]

44%
Teams not collaborating enough on engagement efforts/siloed efforts

32
Failure to properly distribute data-driven customer insights throughout the organization

32
Customer data is siloed/hard to extract insights from

30
Lack of in-house customer engagement expertise/experience

29
Lack of good customer engagement tools/technologies

23
The general culture of the organization doesn't prioritize customer engagement

21
Lack of leadership commitment and/or buy-in around engagement efforts

20
Lack of investment/budget constraints

12
Regulatory constraints around accessing customer data

12
Data security/privacy concerns around leveraging customer data

3
None

2
Other

Source: Harvard Business Review Analytic Services survey, April 2022

expertise in customer engagement. Yet 56% of respondents encounter difficulty finding the right personnel to manage their customer engagement efforts—a challenge that is likely to persist given record labor shortages.

With the right technologies and tools also at a premium, 29% say a lack of good customer engagement tools and technologies is standing in the way of their organization's success. Tech stacks bloated with legacy systems, unreliable tools, and disjointed applications can easily frustrate employees and impede their efforts to engage customers in a timely and personalized manner.

Customer Strategies and Employee Investments for Success

Cognizant of the customer engagement challenges they face, many organizations are taking significant steps to boost collaboration among disparate departments, glean timely insights from customer data, and invest in the necessary employee training and technologies.

More than half (56%) of survey respondents say their organization is encouraging greater cross-functional team collaboration over the next 18 months, with the express purpose of improving customer engagement. One way of achieving greater collaboration is by encouraging information-sharing among employees.

Just ask Kate Taylor. Head of global recruiting at Notion, a project management and note-taking software provider, Taylor says Notion employees rely on "transparent dashboards," generated by the company's online customer engagement platform, to capture and display real-time information of what's happening across the organization for a more cohesive view of customers. By doing so, she says, Notion's operations, product, and marketing teams can "go through that customer feedback together and actually have conversations about the data" for faster decision making and a more integrated way for employees to work together in order to build relationships with customers.

Organizations are also learning to make better use of the vast volumes of customer data available to them. When asked how organizations are using customer data for customer engagement today, 62% of survey respondents say their organization is gathering feedback from customers to identify areas of strength and weakness in their engagement efforts.

For instance, at Notion, every piece of customer feedback received is stored and tagged in a central repository and then translated into insight reports, which are shared across the company. A perfect example is how Notion provides its product design team with easy access to firsthand customer insights. As a result, says Taylor, "We're able to prioritize our product roadmap and take a closer look at what we're building internally. It helps us feel as if the customer is always in the room with us when we're making decisions."

Sixty-two percent of survey respondents say their organization is gathering feedback from customers to identify areas of strength and weakness in their engagement efforts.

In fact, Notion recently added more advanced database filters to its project management tracking solution after tagged customer feedback revealed problems for customers with filtering and manipulating "thousands and thousands of rows of data" while using the solution. By tagging customer feedback and connecting the dots of this data to critical processes like product design, Notion is better engaging customers based on their direct input.

## The Power of Technology and Culture

Social media, mobile applications, marketing campaigns—they all produce vast volumes of data ripe for parsing. Nearly half (46%) of survey respondents rely on such customer data to create personalized interactions, such as with marketing messaging and in support conversations.

Despite customer data's direct impact on shaping customer engagement strategies, only 40% of respondents agree that their organization is good at using data to send customers the right message at the right time via the right channel, implying that 60% don't feel they're doing a good job of tailoring communications.

Fortunately, the right technology solutions can help customize and personalize messaging, which might explain why nearly half (48%) of respondents say they are investing in new or improved customer engagement technologies—such as customer relationship management, artificial intelligence and machine learning, and data analytics— in the next 18 months.

"We're adopting newer ways of engaging with customers," says Taylor. For example, she says, "We're using messaging tools to create conversational support, where we can meet users where they are in their customer journey and have two-way conversations about products and learn how we can help them."

But it's easy to spend money on an endless string of tools. Organizations need to ensure their technology investments are built around a culture that values relevant customer engagement. "Digital transformation in service of customer
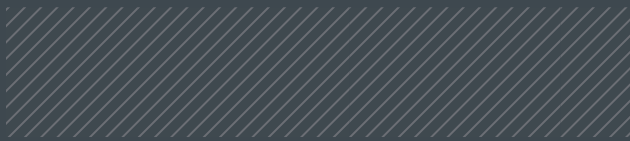
56%

of survey respondents say their organization is encouraging greater cross-functional team collaboration over the next 18 months with the express purpose of improving customer engagement.

engagement is a culture issue," says Yohn, brand leadership expert and author. "You can have all the technology and data you need, but if you don't have a culture that really values customers and the use of data and technology in service of customers, then you're just going to have a lot of really cool bells and whistles—and missed opportunities."

Investing in Employees

At the core of any customer-centric culture is the employee. After all, satisfied employees are the key to satisfied customers. Yet only 37% of survey respondents are increasing investment in employee training in customer engagement efforts, despite its potential to solve the challenge of organizations lacking enough talent with employee engagement expertise.

According to Morgan, overlooking the role all employees play in customer engagement has to change in order for organizations to truly put customers first. "Everyone in the company impacts customer experience in some way, so everyone needs to understand customers," she says. "The best way to do that is to give employees either firsthand experience interacting with customers or at least the ability to observe or hear from customers directly."

Morgan points to the example of a well-known technology giant that allows employees from varying functions to monitor customer support calls, participate in advisory board meetings, and accompany customers as they shop for items, asking them questions about their experience and preferences. "All of this is critical to closing the gap between customer and employee," she says.

In fact, organizations without plans to invest in employee training on customer engagement soon may no longer have a choice. "The right talent is scarce," says Sawhney, of the Kellogg School of Management, Northwestern University. Organizations can try casting a wider net for appropriate candidates. But the reality is, "the employees that you do have need to be reskilled. The half-life of knowledge is shrinking; if you don't keep investing in your people skills, your employees will become obsolete," he notes.

Making Customer Engagement Efforts Count

Even the metrics used to gauge the success of customer engagement efforts focus on both long-term and near-term gains. More than half (55%) of survey respondents rely on customer satisfaction metrics, such As Customer Satisfaction Scores, to measure or track the success of customer engagement efforts. **FIGURE 3**
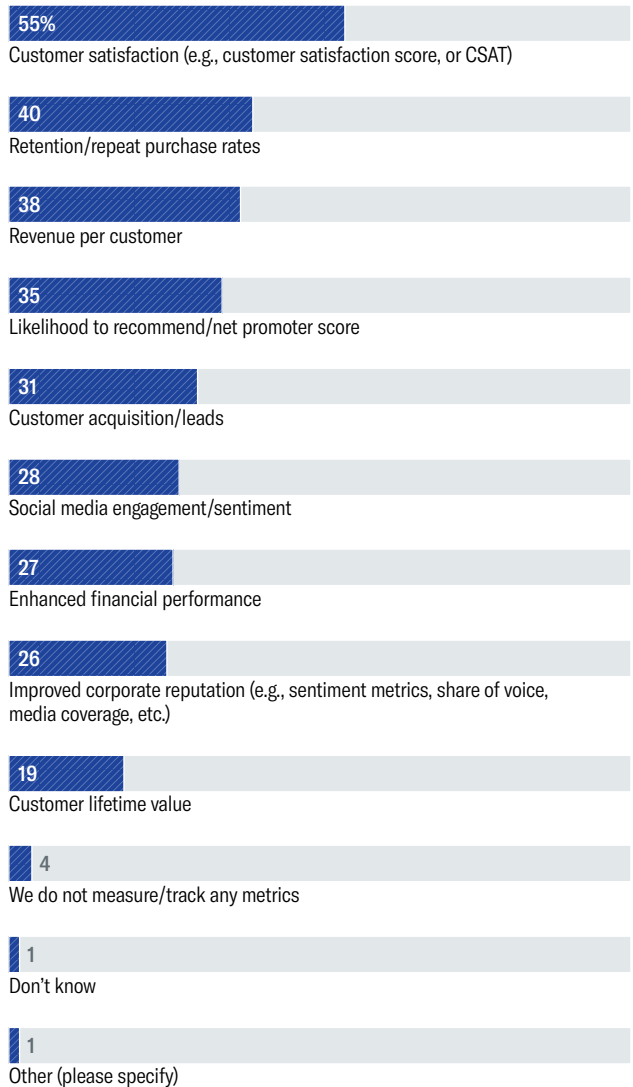
One way to encourage long-term customer satisfaction is by responding quickly to customer queries with accurate and tailored responses. "The main metric we look at is

Customer-Centric Metrics at the Core of Measuring Success

Gauging customer satisfaction, retention, and revenue is key to building long-term relationships with customers.

What metrics does your organization use to measure/track the success of its customer engagement efforts? [SELECT ALL THAT APPLY]

- 55% Customer satisfaction (e.g., customer satisfaction score, or CSAT)
- 40 Retention/repeat purchase rates
- 38 Revenue per customer
- 35 Likelihood to recommend/net promoter score
- 31 Customer acquisition/leads
- 28 Social media engagement/sentiment
- 27 Enhanced financial performance
- 26 Improved corporate reputation (e.g., sentiment metrics, share of voice, media coverage, etc.)
- 19 Customer lifetime value
- 4 We do not measure/track any metrics
- 1 Don't know
- 1 Other (please specify)

Source: Harvard Business Review Analytic Services survey, April 2022

first-response time," says Notion's Taylor. "We want to make sure we're getting back to customers with answers."

Metrics that are further behind include retention/repeat purchase rates (40%), revenue per customer (38%), and likelihood to recommend/Net Promoter Score (35%). The

"Everyone in the company impacts customer experience in some way, so everyone needs to understand customers," says Morgan.

four least-cited metrics are social media engagement (28%), enhanced financial performance/ROI (27%), improved corporate reputation (26%), and customer lifetime value (19%). But metrics alone aren't enough to impact customer engagement. Rather, these measurements must be tied to employee performance and used to shape employee behavior for happier and more satisfied customers. "If you want employees to prioritize customer engagement, the best way to do that is to ensure that they're being evaluated on those measures," says Yohn.

Who's in Charge?

Unlike HR's dominion over talent or a chief information officer's say in all matters IT, it's harder to know where the buck stops when it comes to customer engagement. It's not surprising, then, that survey respondents are split on what role is primarily responsible for the design of an organization's customer engagement strategy.

Tied for the top role responsible for customer engagement are a cross-functional team dedicated to customer engagement and a C-level customer engagement lead, each cited by 16% of respondents. **FIGURE 4** Following the top two very closely, 15% say responsibility for customer engagement is shared across the organization, while 13% say a chief marketing officer, CEO, or head of individual product teams/line of business (LoB) sits at the helm.

However, responsibility shifts downward from the upper echelons of an organization when it comes to *executing* a customer engagement strategy. Putting a plan into effect is mostly overseen by heads of individual product teams/LoBs, according to 21% of respondents, closely followed by a cross-functional team dedicated to customer engagement (19%) and responsibility shared across the organization (19%).
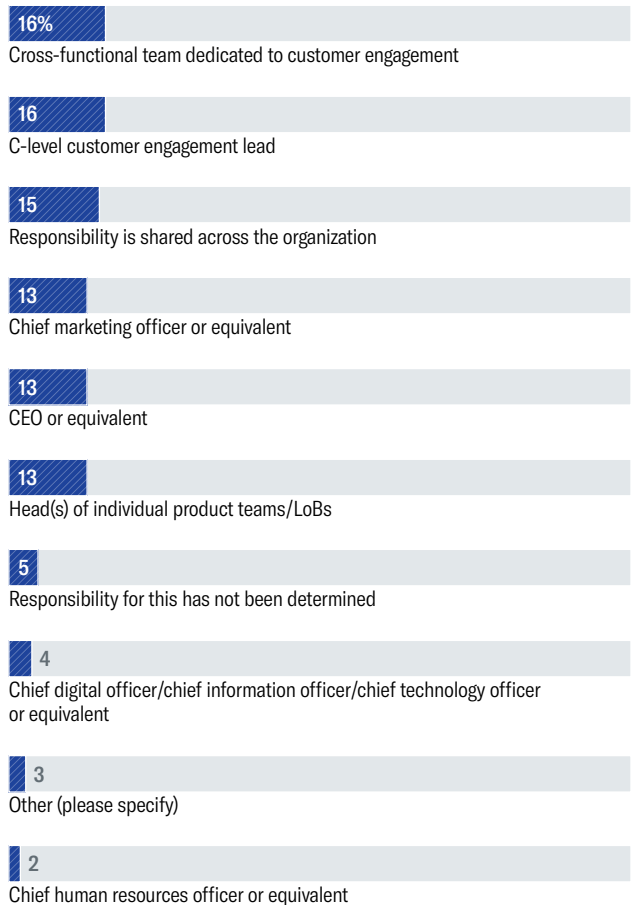
Although opinions vary, Morgan believes the best designed and executed customer engagement strategies feature a unique combination of C-level evangelism and enterprisewide participation. "The most successful customer engagement strategies start with buy-in from top executives, especially

FIGURE 4

Putting the Right Talent in Charge

There is little consensus about who is primarily responsible for customer engagement, but cross-functional teams and C-level executives narrowly share the top spot for taking charge.

What role is primarily responsible for the design of your organization's customer engagement strategy? [SELECT ONE]

16%
Cross-functional team dedicated to customer engagement

16
C-level customer engagement lead

15
Responsibility is shared across the organization

13
Chief marketing officer or equivalent

13
CEO or equivalent

13
Head(s) of individual product teams/LoBs

5
Responsibility for this has not been determined

4
Chief digital officer/chief information officer/chief technology officer or equivalent

3
Other (please specify)

2
Chief human resources officer or equivalent

Source: Harvard Business Review Analytic Services survey, April 2022

the CEO," she says. "C-level leaders set the tone for the entire company and showcase the importance of building strong customer relationships. From there, the actual strategy should be designed by the head of customer experience or marketing—ideally, a chief customer officer or chief experience officer."

However, adds Morgan, "because customer engagement involves the entire company, CX [customer experience] leaders must work with other departments, including sales, IT, and product, to create a comprehensive strategy. The most effective companies build cross-departmental teams to lead customer engagement."

"Customers, technology, and trends are constantly evolving, so a successful approach to customer engagement requires continual reevaluation," says Morgan.

A United Journey

There are no shortcuts when it comes to customer engagement. "Customers have been trained by the best companies in the world to expect to get what they want wherever, whenever, and however they want it," says Yohn. "They now expect a personalized, relevant, seamless transaction from every company they do business with."

As the findings from the Harvard Business Review Analytic Services survey reveal, organizations are taking note of rising consumer expectations and responding by prioritizing the delivery of exceptional, engaging experiences with personalized messaging and investments in technology.

But challenges—including poor collaboration among disparate teams, siloed data, and a scarcity of experienced talent—abound. Overcoming these barriers requires finding new ways to unite marketing, customer service, sales, and product teams in their mission to keep customers happy;

gleaning insights from data—and sharing them across the organization; and investing in employees as they adjust to a new world.

Customer engagement is certainly not a static exercise. Think about how the on-demand economy heightened customer expectations, almost overnight. Or how the pandemic accelerated companies' digital transformation efforts by decades. The same urgency for change exists today as a tight labor market and mounting competition make customer retention more important than ever. "Customers, technology, and trends are constantly evolving, so a successful approach to customer engagement requires continual reevaluation," says Morgan. The secret is putting the right best practices, talent, and technologies in place to create positive experiences that will consistently lead to customer engagement.

A total of 317 respondents drawn from the HBR audience of readers (magazine/enewsletter readers, customers, HBR.org users) completed the survey that fielded in April 2022.

Size of Organization

12%
50 to 90 employees

25%
100 to 499 employees

9%
500 to 999 employees

23%
1,000 to 4,999 employees

7%
5,000 to 9,999 employees

24%
10,000 or more employees

Seniority

23%
Executive management/ board members

46%
Senior management

25%
Middle management

6%
Other grades

Key Industry Sectors

13%
Manufacturing

10%
Health care

10%
Technology

9%
Financial services

9%
Education

8%
Business/ professional services

All other sectors less than 8% each.

Job Function

22%
General/executive management

14%
Sales/business development/ customer service

9%
Marketing/PR/ communications

8%
HR/training

All other functions less than 8% each.

Regions

44%
North America

26%
Europe

15%
Asia Pacific

6%
Latin America

6%
Middle East/Africa

3%
Other

Figures may not add up to 100% due to rounding.

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