LEADER NETWORKS

Business Impact of Community Survey

February, 2017

www.leadernetworks.com

HIGHER LOGIC
ALL TOGETHER

Society for
New Communications Research

About This Study:
The Business Impact of Online Communities

The goal of this study is to provide digital business professionals with a research-backed analysis of the business impact of online communities and how they provide competitive advantage.

The questions it addresses are:

▶ How do organizations define competitive advantage?

▶ What is the organizational impact of online communities?

▶ How do organizations discover and track community-driven revenue and cost savings?

▶ What are the key obstacles to success that communities need to overcome?

▶ What are the leading measures and metrics/KPIs that brands can use to track the business impact of community?

The survey was administered online to 271 participants who completed it between November 7 and December 1, 2016
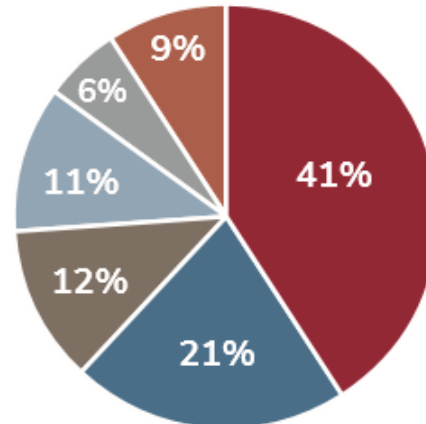
Demographics

Organization by Type
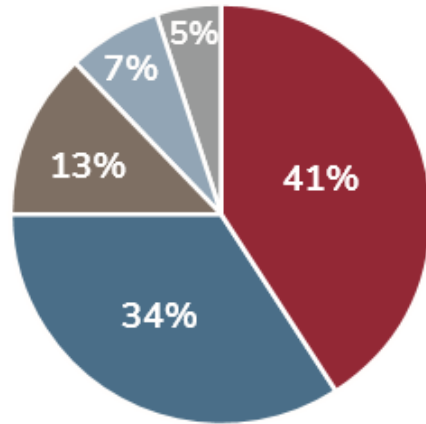
- 41% Business to Business
- 34% Association/Non-Profit organizations
- 13% B2B and B2C
- 7% B2C
- 5% Other

Job Title

- 41% Senior manager/manager
- 21% Marketing/digital and/or communications executive
- 12% Senior director/director
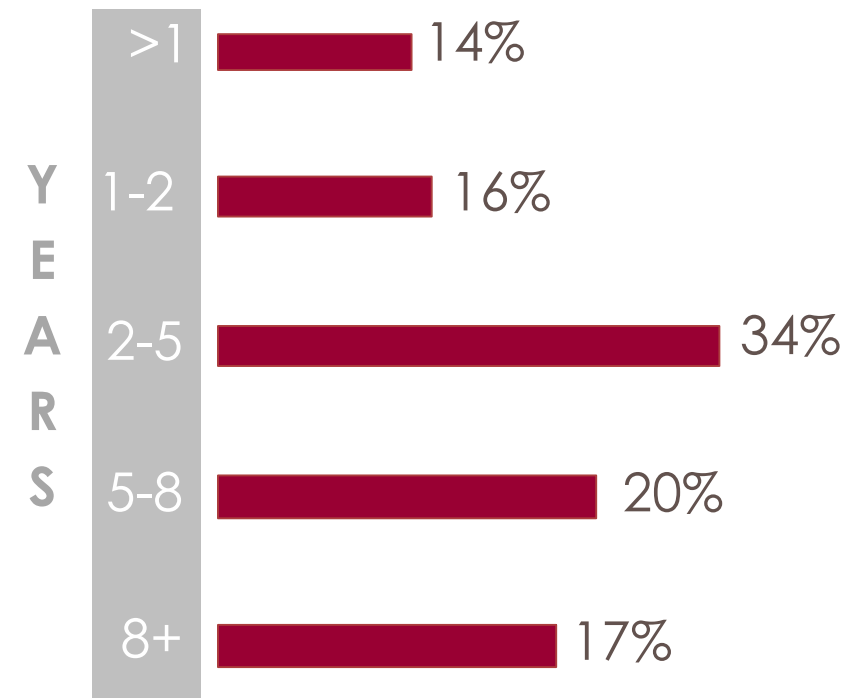- 11% Strategist
- 6% CEO or president
- 9% Other

Community Size
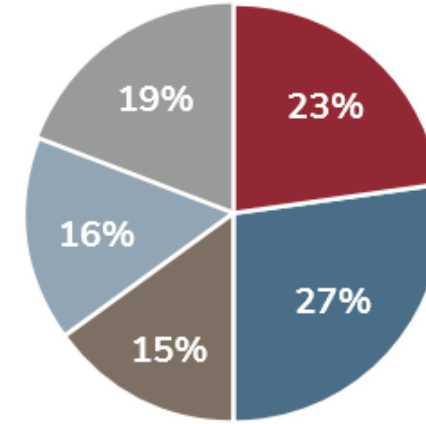
- 23% Under 1,000
- 27% 1,001 to 5,000
- 15% 5,001 to 10,000
- 16% 10,001 to 50,000
- 19% More than 50,000

Community Types and Age

How long has your community existed?

- **73%** of respondents have a Customer Community

- **46%** have a Customer Community and either an Employee or Both Employee and Partner Community

- **30%** have a Customer Community and either a Partner or Both Employee and Partner Community

- **6%** ONLY have an Employee Community (no Customer or Partner)

- **3%** ONLY have a Partner Community (no customer or employee).

All results were analyzed by the following segments. Significant differences are noted on the relevant slide. Business Type: B2B, B2C or Both B2B and B2C, Association / Non-Profit Community Type: Customer or Other Age of Community: 2 Years or Less, Just over 2 to 5 Years, 5 Years or More

YEARS

>1	14%
1-2	16%
2-5	34%
5-8	20%
8+	17%

4

Key Findings

▶ **For the majority of marketing and community leaders (57%), competitive advantage means retaining current customers.**

▷ Despite this finding, leaders provided the fewest metric examples in the retention arena. What's more, 37% of organizations have not integrated their communities with the company's CRM system.

▶ **There is a burning need for better reporting of community expenditures and cost savings.**

▷ 45% of marketing and community leaders say that their community reduces costs for their organization. However, an additional 37% don't know if their community saves them money on support, customer retention, marketing, or other expenditures. And 25% don't know or don't track their community expenses in total.

▶ **Communities are producing revenue – in substantial amounts – but it takes time.**

▷ 49% of community leaders say that their community generates or influences revenue. But mature communities have a greater impact on top-line growth. In fact, more than half of communities that saw a revenue gain of greater than $1M last year are at least five years old.

Key Findings *(cont'd)*

▶ **Marketers are at the helm of online communities – which is an incredibly strategic position.**

  ▶ Marketing is the primary owner of the community for most organizations (79%) although many other lines of business are involved in community initiatives.

  ▶ This status puts marketers in a highly visible and relevant role: conducting an orchestra of departments to create and sustain relationships with the business' most critical assets – customers, partners, and employees.

▶ **Business-focused metrics are nascent – but a standard of measurement is emerging.**

  ▶ 72% of community leaders face challenges related to analyzing and reporting data – and an additional 22% lack reporting tools.

  ▶ However, marketing and community leaders shared the top community success measures they are tracking – ranging from vanity and baseline metrics to sophisticated business-focused metrics.

Business Impact Survey
THE DETAILS

For most organizations, competitive advantage means keeping existing customers

What does digital competitive advantage mean to your company? (Select your top three)

- Customer retention — 57%
- Customer intimacy — 48%
- More innovation — 40%
- Market awareness — 40%
- Increased sales — 37%
- Cost reduction — 18%
- Strengthen partnerships/ supply chain — 13%
- Speed to market — 10%
- Better risk management — 5%
- Others — 9%

■ **Reactive**
■ **Proactive**

The top "Other" response was "customer/member engagement"
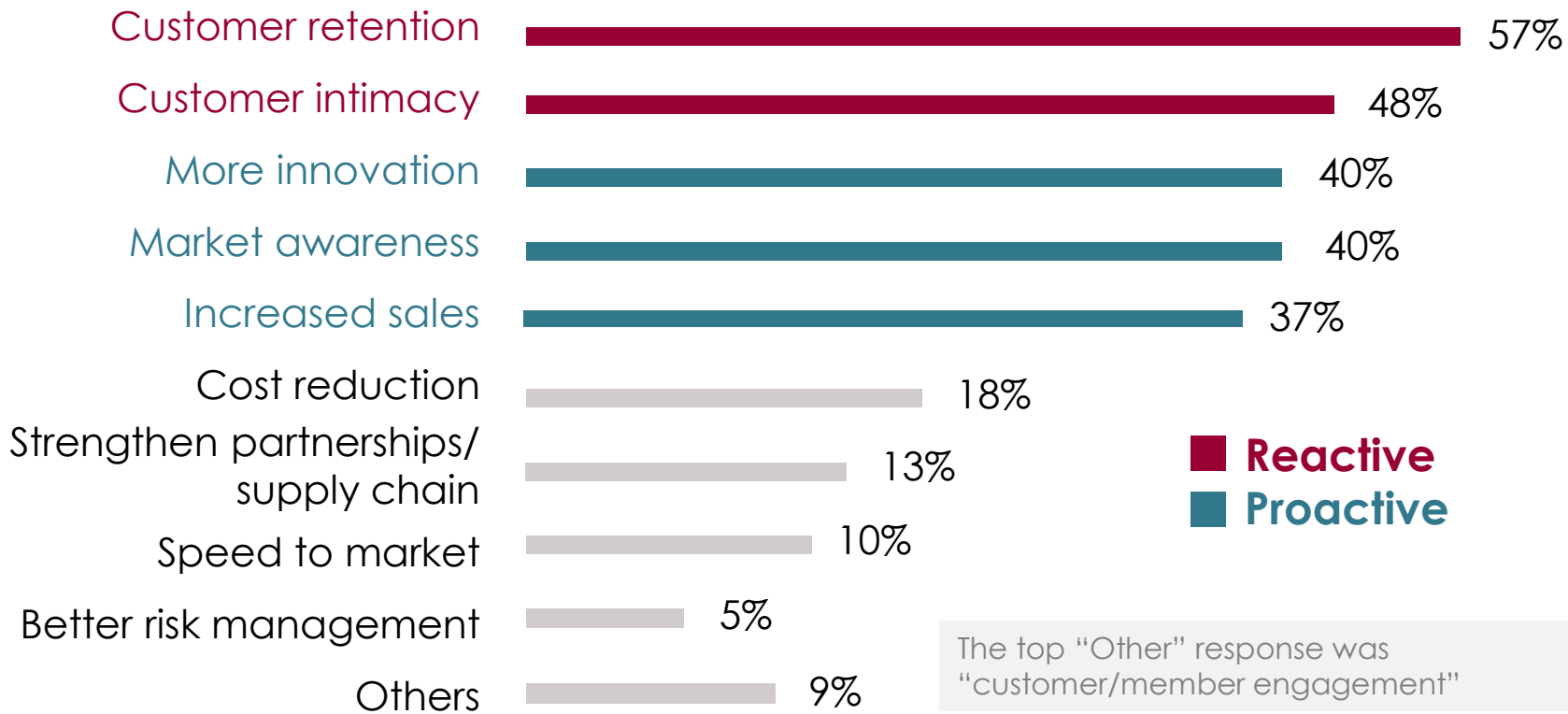
▶ Associations and Non-Profits are more likely to define digital competitive advantage through **customer retention** (74% vs. 50% of other Business Types) and less likely to define it through **increased sales** (19% vs. 49%).

Communities are having a significant impact on the organizations that run them.

Over the past year, how much of an impact do you believe the information shared on the community has had on your organization?

- **Large Impact**
- **Some Impact**
- **No Impact**
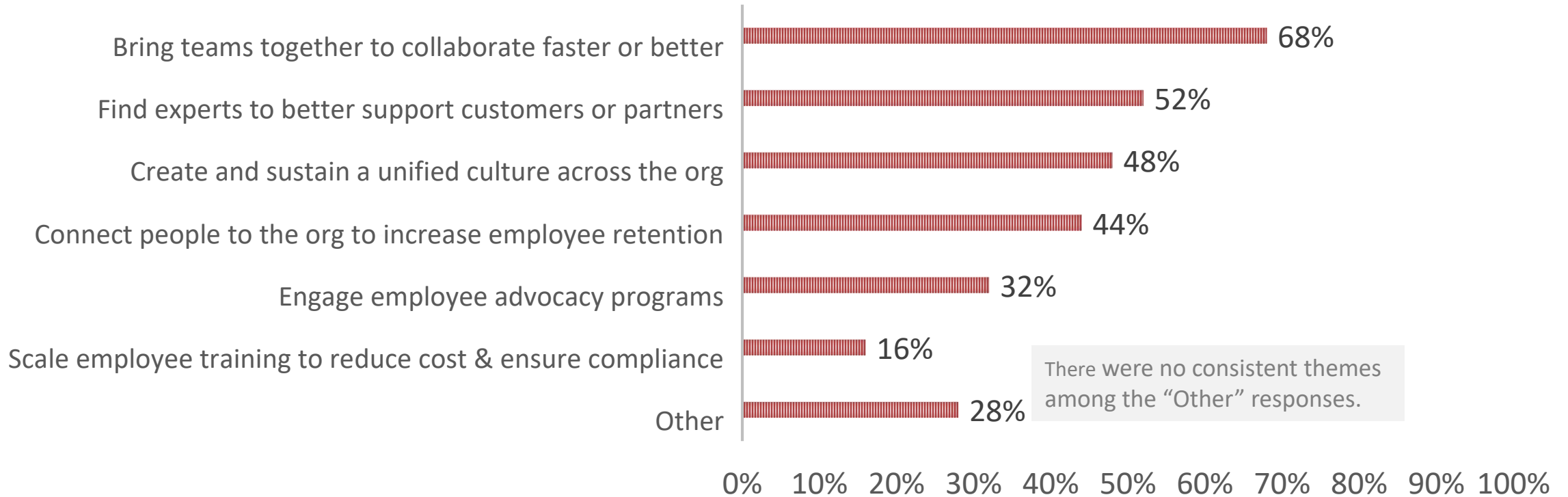- **I Don't Know**
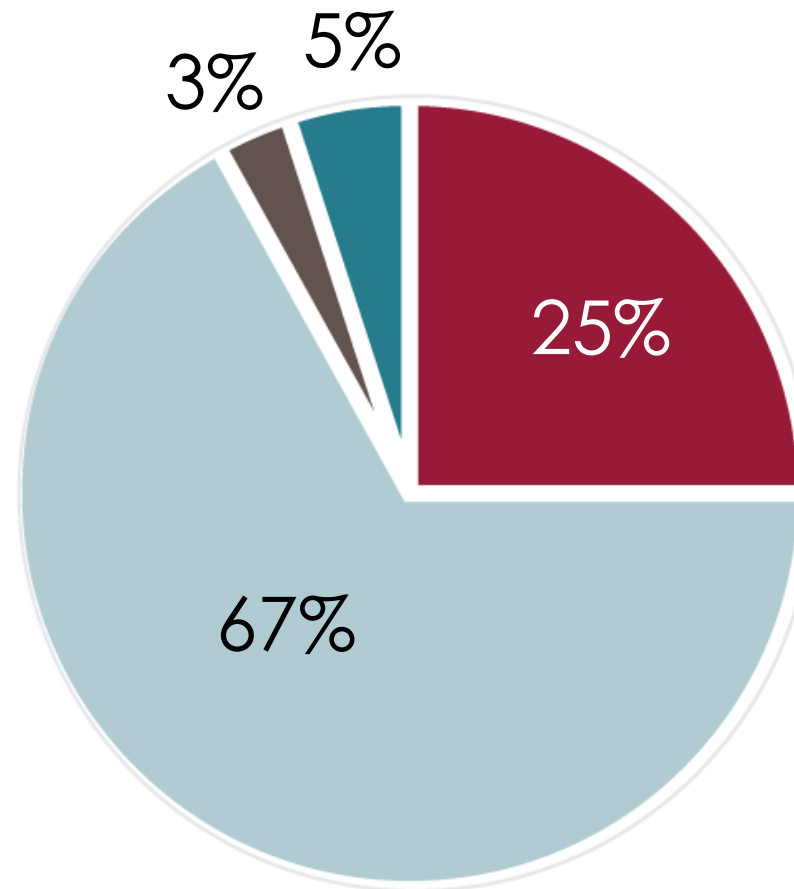
25%

67%

3%

5%

Employee communities help teams work more efficiently – and provide better support to customers and partners.

How does your organization use its Employee Community? (Select all that apply)

Response	Percentage
Bring teams together to collaborate faster or better	68%
Find experts to better support customers or partners	52%
Create and sustain a unified culture across the org	48%
Connect people to the org to increase employee retention	44%
Engage employee advocacy programs	32%
Scale employee training to reduce cost & ensure compliance	16%
Other	28%

There were no consistent themes among the "Other" responses.

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Customer Communities are Powerful Listening Channels

How does your organization use its Customer Community? (Select all that apply)

Category	Percentage
Listen to member needs to market better	69%
Identify customer champions and/or detractors	55%
Surface trends for potential future development	52%
Spot & resolve product or service issues	47%
Broadcast info to enable cross & up selling	36%
Connect member data to customer relationship data	33%
As a sales information channel	21%
Sell products or services directly	9%
Other	17%

There were no consistent themes among the "Other" responses.

Axis: -5%, 15%, 35%, 55%, 75%

▶ B2B organizations are more likely to use their customer community to **broadcast information for cross-selling and upselling** (49%) compared to B2C/Both (21%) or Association/Non-Profit organizations (26%).

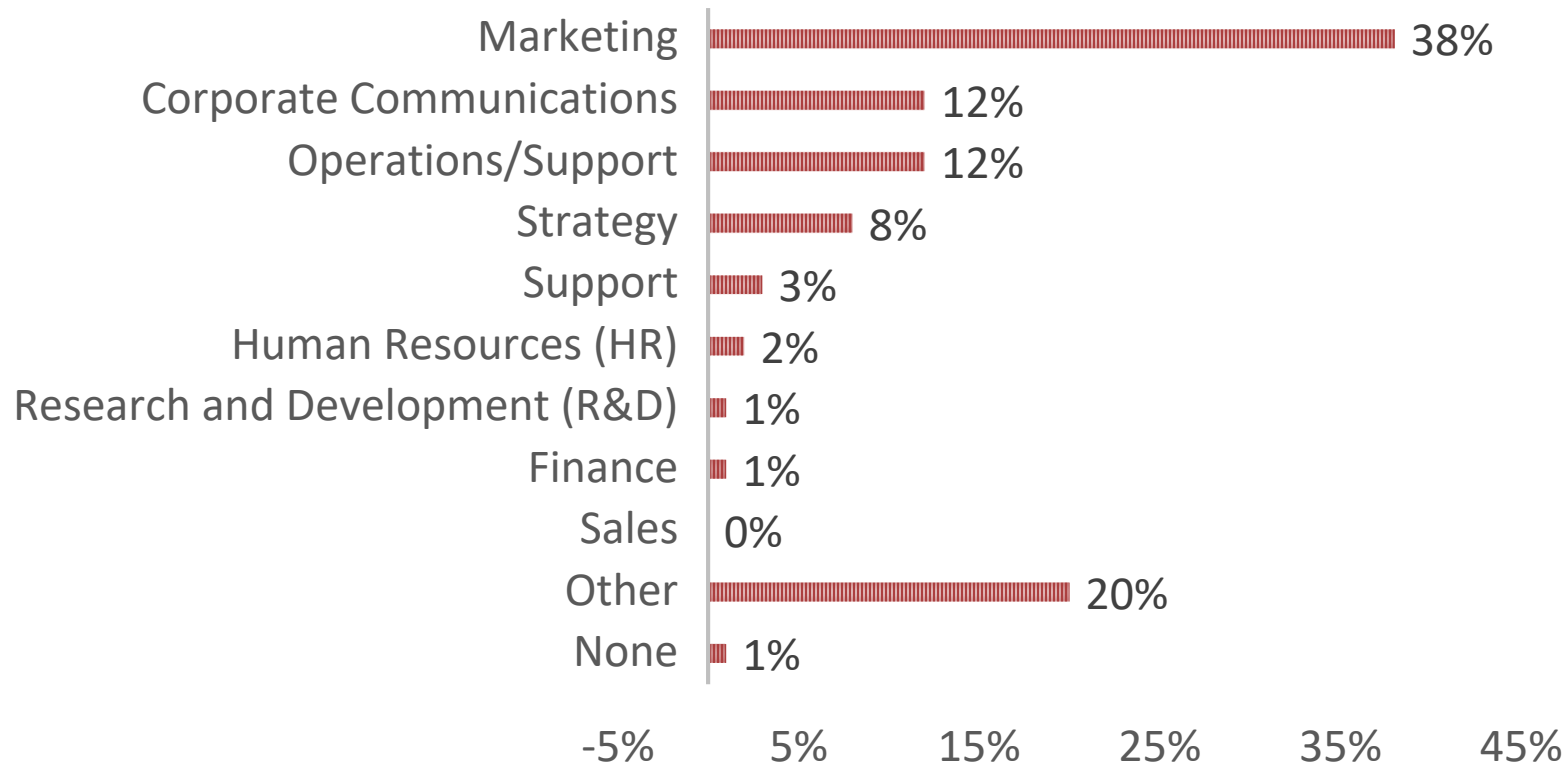# Communities are organizational orchestras, and marketing is the conductor

Which departments participate in your organization's community (product content, share expertise, or set mission)? (Select all that apply)

Department	Percentage
Marketing	79%
Operations/Support	52%
Corporate Communications	48%
Strategy	36%
Sales	33%
Research and Development (R&D)	28%
Human Resources (HR)	22%
Finance	10%
Other	30%
None	1%
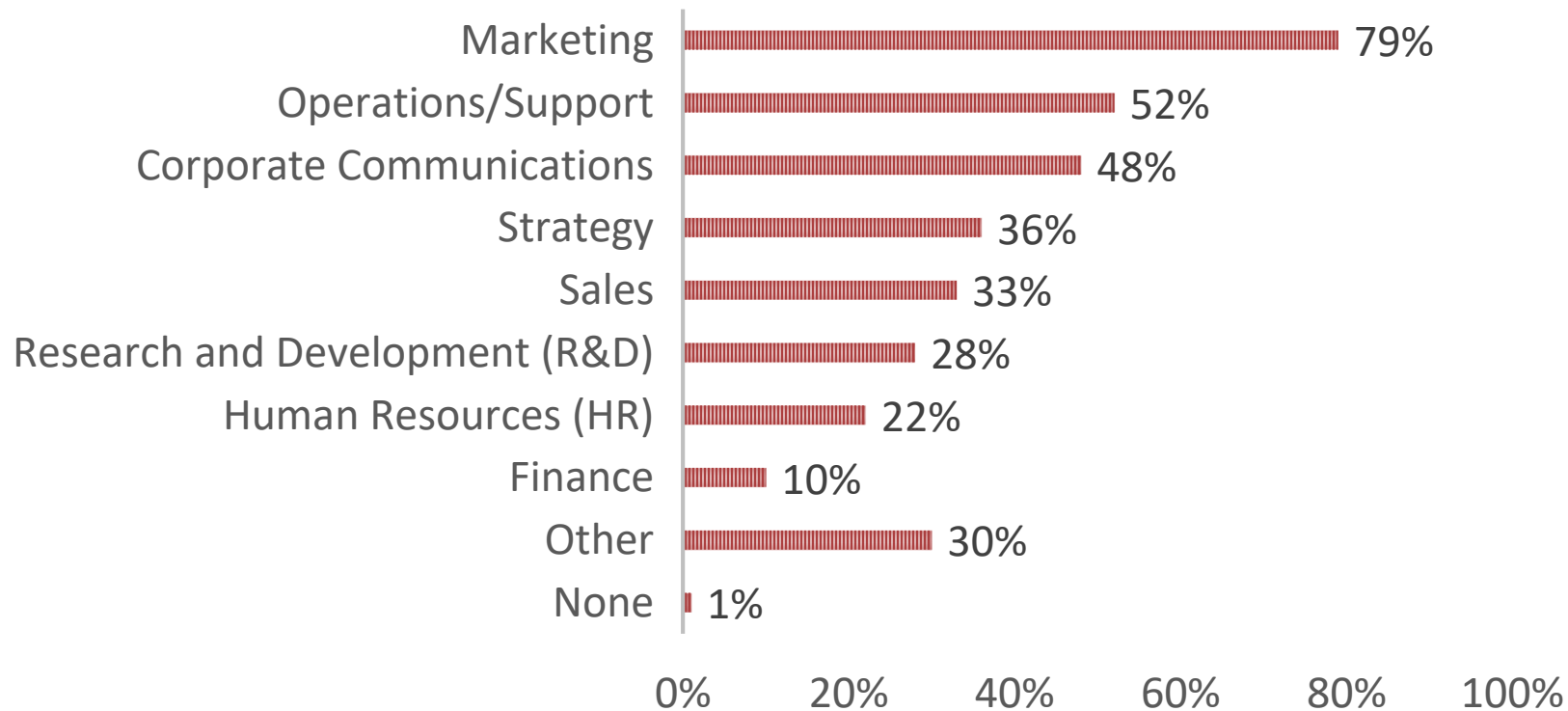
▶ **Operations/Support** participation was more common in organizations with Customer Communities (64%) than those without (32%).

▶ **Sales** participation was more common in B2B and B2C organizations (45%) than Assoc/NP (13%).

▶ **HR** participation was most common in B2C/both organizations (40%) vs. B2B (20%) vs. Assoc/NP (13%).

▶ **R&D** participation was most common in B2B (40%) vs. B2C/both (23%) vs. Assoc/NP (18%).

Marketing is the Most Common Owner of Their Firms' Customer, Employee, and/or Partner Communities

Among those selected, which department owns the community budget and operations?

Department	Percentage
Marketing	38%
Corporate Communications	12%
Operations/Support	12%
Strategy	8%
Support	3%
Human Resources (HR)	2%
Research and Development (R&D)	1%
Finance	1%
Sales	0%
Other	20%
None	1%

▶ **Marketing** was less likely to own the community budget and operations for Non-Profits and Associations (23%) than for other types of organization (48%).
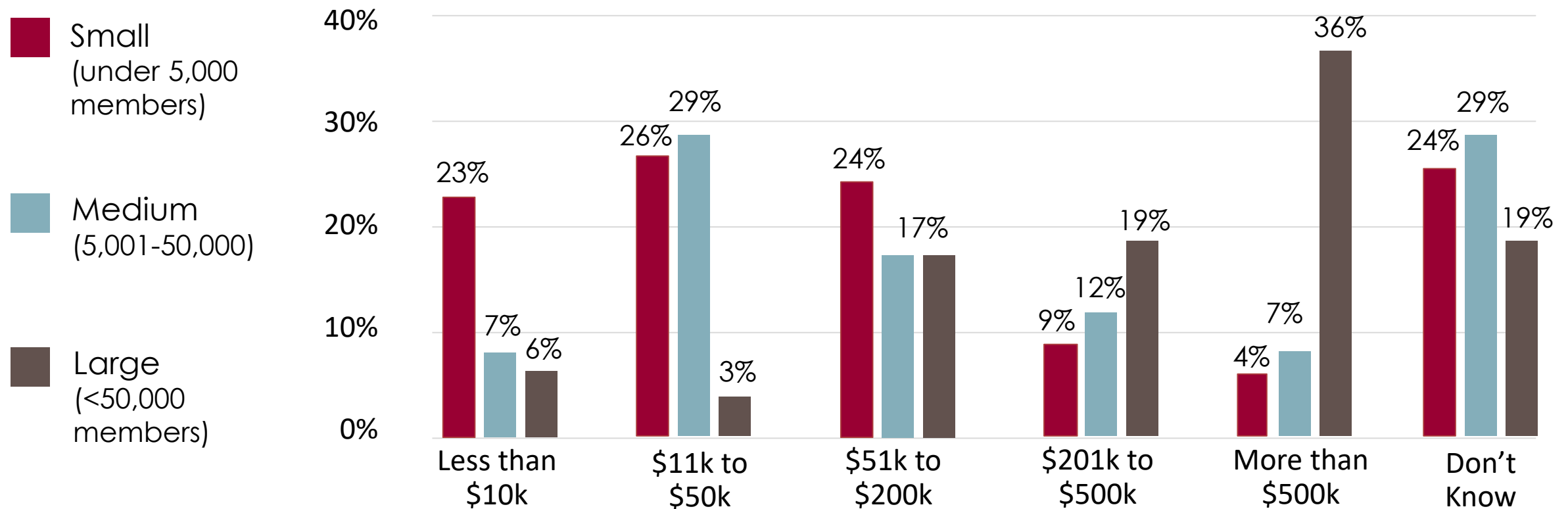
Annual Costs of Community

What are the annual costs of your community inclusive of software, staff, and content?
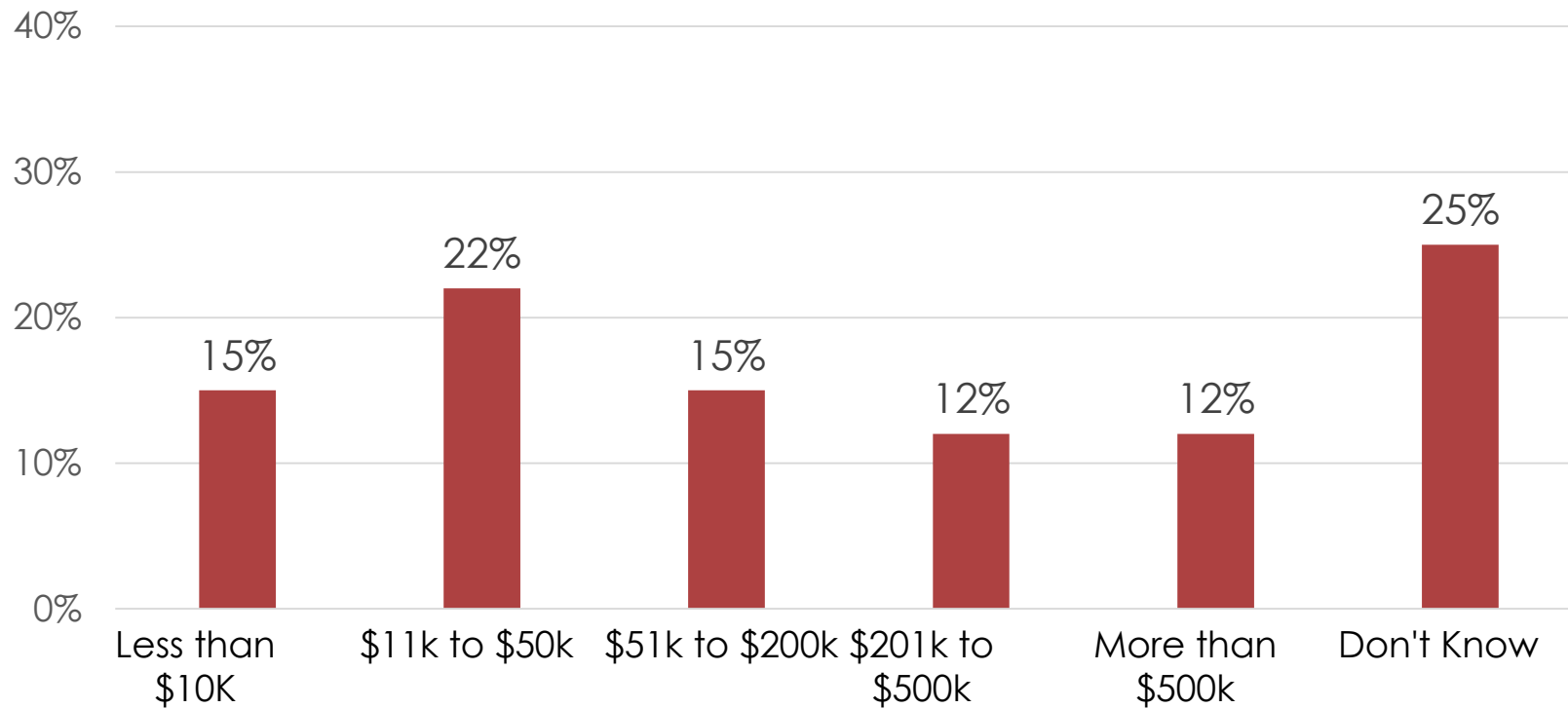
▶ Just under four in ten respondents indicate that their community costs $50,000 or less per year.

Bar chart with y-axis from 0% to 40%:
- Less than $10K: 15%
- $11k to $50k: 22%
- $51k to $200k: 15%
- $201k to $500k: 12%
- More than $500k: 12%
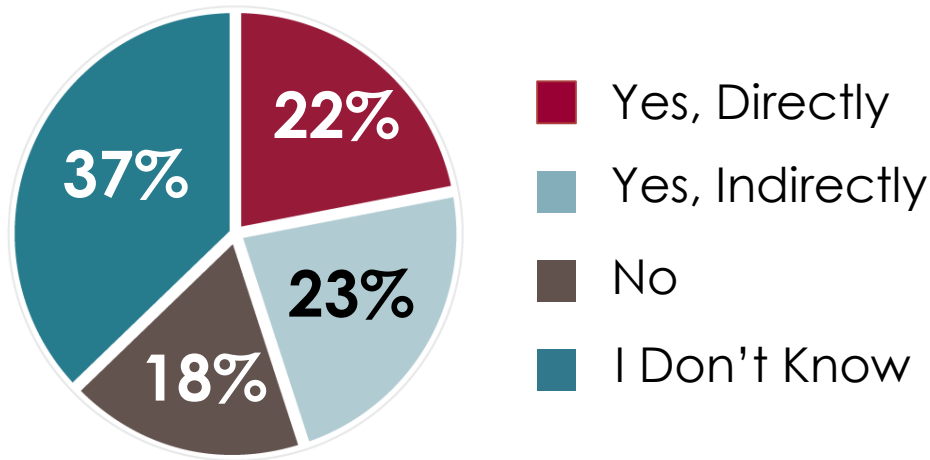- Don't Know: 25%

Annual Costs of Community by Size

About half of respondents from small companies report spending less than $50k per year on their community, while more than half of those from large companies report spending over $200k per year.

Legend:
- **Small** (under 5,000 members) — dark red
- **Medium** (5,001-50,000) — light blue
- **Large** (<50,000 members) — gray

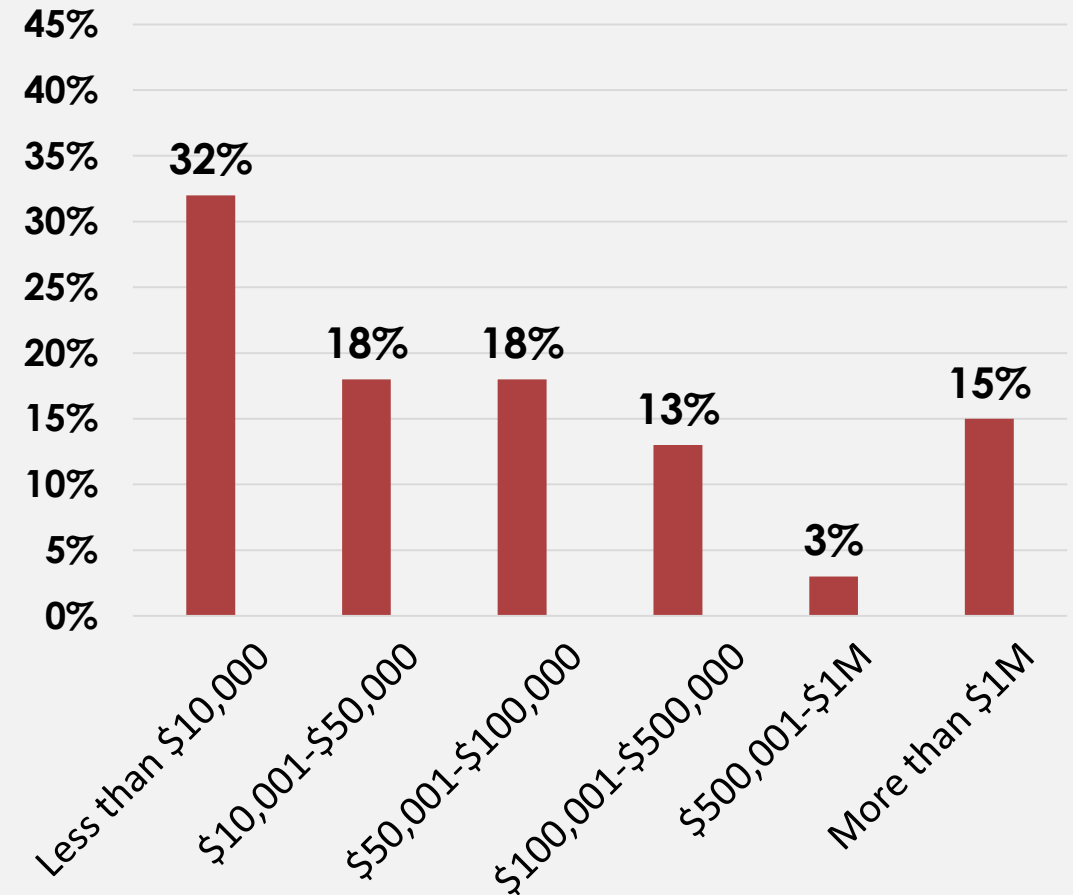| Category	Small	Medium	Large
Less than $10k	23%	7%	6%
$11k to $50k	26%	29%	3%
$51k to $200k	24%	17%	17%
$201k to $500k	9%	12%	19%
More than $500k	4%	7%	36%
Don't Know	24%	29%	19%

Communities save money, but projections are often based on "guesstimates."

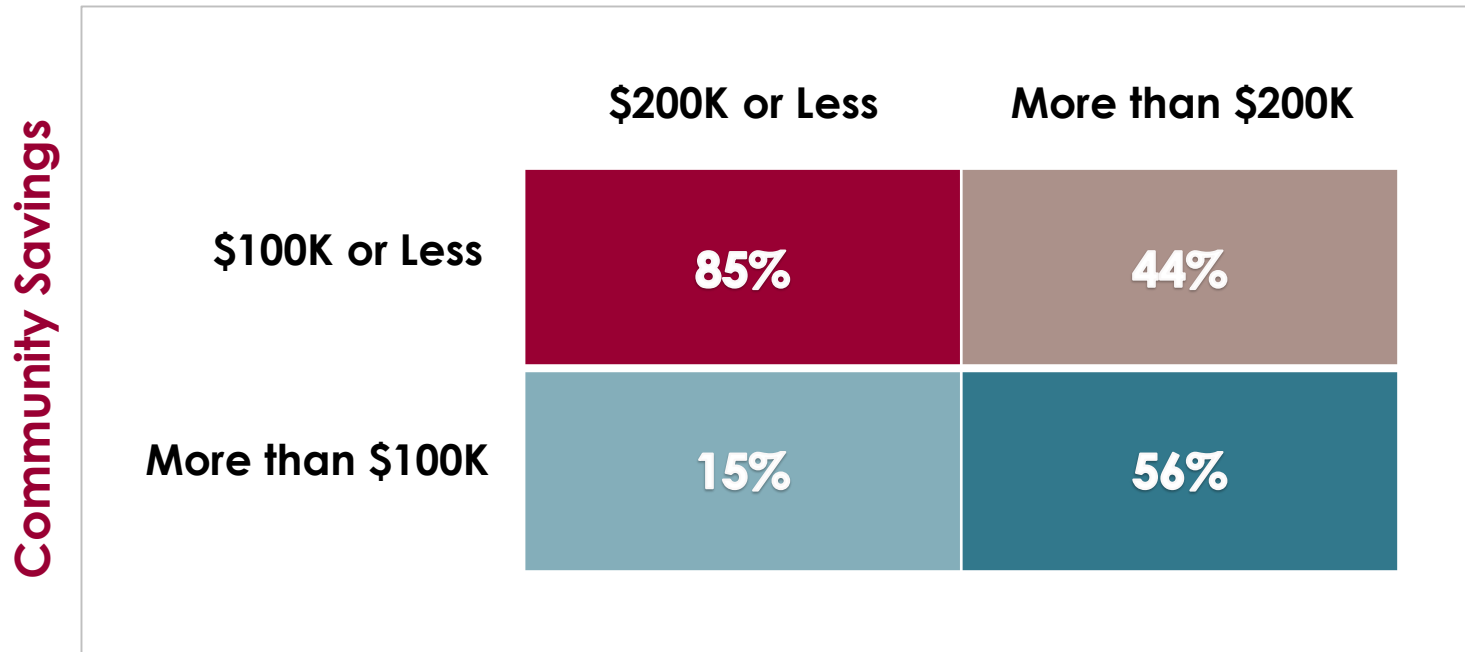## Does Your Community Reduce Costs for Your Organization?

IF YES

- **Yes, Directly** — 22%
- **Yes, Indirectly** — 23%
- **No** — 18%
- **I Don't Know** — 37%

How Much Did your Community Save Your Organization Last Year?

Savings Range	Percentage
Less than $10,000	32%
$10,001–$50,000	18%
$50,001–$100,000	18%
$100,001–$500,000	13%
$500,001–$1M	3%
More than $1M	15%

Community Savings vs. Costs

Community Spending

|	$200K or Less	More than $200K
$100K or Less	85%	44%
More than $100K	15%	56%

Community Savings

▶ Those organizations that spent less on their communities were less likely to see significant savings as a result of those communities. Alternately, those that spent more were more likely to reap significant savings.

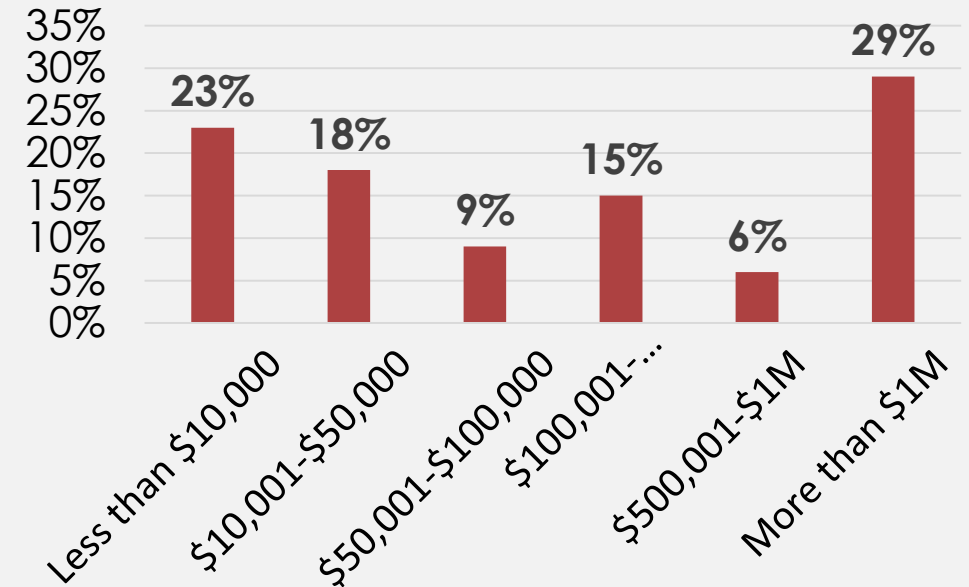# Communities are generating revenue – sometimes over $1M – but it takes time

Does your community generate revenue?

IF YES

6%
7%
24%
27%
36%
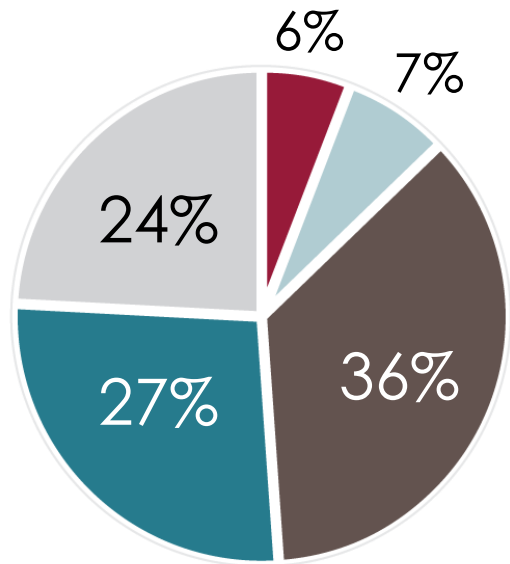
- Yes, Direct revenue via e-commerce
- Yes, indirect revenue via partnership & sponsorship
- Yes, Influence revenue (e.g. customer retention, satisfaction)
- No
- I Don't Know

Approximately how much revenue does your community either directly generate or influence?

Less than $10,000	23%
$10,001-$50,000	18%
$50,001-$100,000	9%
$100,001-...	15%
$500,001-$1M	6%
More than $1M	29%

55% of communities 5 years or older generate or influence more than $1 Million.

43% of communities that have existed for two years or less indicate that their community generates or influences less than $10,000

Community leaders' biggest obstacles are data analysis and reporting

Did you face any obstacles in leveraging the community to achieve competitive advantage? (select all that apply)

The most commonly reported obstacles were issues related to communities not being tied into customer relationship systems and a lack of meaningful metrics to report success in business terms.

Data analysis issues b/c cmty not connected to CRM	37%
Lacked meaningful metrics to report business success	35%
The community doesn't have visibility within the org	26%
Lack of reporting tools	22%
Didn't have an executive sponsor	19%
Didn't collect the information shared in the community	17%
Other	19%
Didn't face any obstacles	17%

0%   20%   40%   60%

There were no consistent themes among "Other" responses.

Leader Networks' Community Impact Framework

Community Vibrancy Metrics (CVM): Tracks overall health and utility of the community. EXAMPLES METRICS: Membership growth, time on site, and community newsletter opt-outs.

Engagement Metrics (Subset of CVM): Tracks community relevancy. EXAMPLES METRICS: number of participating/contributing members, net new vs. returning contributors, posts or replies per time interval.

Content Consumption & Impact Metrics (CCIM): Tracks community content relevancy and reach. EXAMPLES METRICS: content reach, shares and comments as well as event registrations.

Customer Support Impact Metrics: Tracks value of community as support channel. EXAMPLES METRICS: time to resolution, ticket deflection, number of accepted solutions.

Customer Retention/ Satisfaction Metrics: Tracks correlation between community membership and customer retention. EXAMPLES METRICS: customer retention due to community/renewal rates, NPS score for customers who are community members, customer churn reduction

Marketing and Sales Metrics: Tracks impact of community on marketing and sales objectives. EXAMPLES METRICS: numbers or increase in customer advocates, inbound calls generated by community, correlation between user engagement and annual revenue spend

Business Integration Metrics (BIM): Tracks impact of community on core operations. EXAMPLES METRICS: new ideas generated, new ideas implemented, increase in specific operational efficiencies (e.g. meeting reduction or uptake of new product)

STRATEGIC METRICS

Best Practices for Marketing and Community Leaders

6 actions that help you link community to competitive advantage:

- Meet with your CFO to understand his or her expectations for developing a cost-benefit analysis of your community.

- Get your financial and business metrics in a row so you can start to accurately track what you spend against what you yield.

- Review your community expenditure to ensure that it is commensurate with expectations and potential impact.

- Refocus your efforts to ensure that communities are aligned with organizational priorities and are measuring what matters.

- Think about using the community as a living focus group – a primary source of early stage, low-cost research that can inform customer service, market strategy, or R&D.

- Use the Community Impact Framework to tell your communities' business impact story, reliably and consistently.

To read the full list of actions, view the report HERE.

BOTTOM LINE

▶ **Online Communities ARE having a big business impact:**

   ▶ They are driving competitive advantage in the form of customer retention and intimacy as well as more innovation and market awareness.

   ▶ They are delivering costs savings as well as revenue.

   ▶ They are also providing a powerful customer listening channel as well as employee collaboration channel.

▶ **However, brands with communities struggle to MEASURE and COMMUNICATE this business impact because:**

   ▶ They have data analysis issues because the community isn't connected to a CRM.

   ▶ They lack meaningful metrics to report success in business terms --a challenge that this report helps to overcome.

About Leader Networks

▷ Leader Networks is a research and consulting firm that helps companies use digital and social technologies to gain competitive advantage. We work alongside our clients to develop digital business strategies, launch new digital products and business models, create and grow online communities, and craft social selling campaigns and operations.

▷ Our efforts pay off – by enabling organizations to better engage their customers, drive new product and service innovations, reduce costs, and boost shareholder value.

▷ Whether you're a CMO or line-of-business-executive, you need a dedicated partner who can guide your team to make smart, data-driven decisions that lead to digital business success. That's who we are. That's what we do.

▷ Learn more about [how we help you](#) reach your goals.

LEADER NETWORKS

Digital and Social Intelligence For Competitive Advantage

Vanessa DiMauro
CEO

92 Richmond Road
Belmont, MA 02478
617.484.0778

vdimauro@leadernetworks.com
www.leadernetworks.com

Study Demographics

▶ **Largest concentration of respondents were from Business to Business (41%) or Association/Non-Profit organizations (34%).**

  ▶ The remainder were from organizations that serve both B2B and B2C (13%) B2C (7%) and Other (5%).

▶ **Study participants were largely senior marketing and community professionals:**

  ▶ 41% senior manager/manager, 21% marketing/digital and/or communications executive, 12% senior director/director, 11% held the strategist title, 6% were a CEO or president and 9% reported as other.

▶ **A wide range of industries were represented including**

  ▶ Computers, Non-profit, Healthcare/Medical, Education, Marketing/Market Research and PR, Manufacturing, Internet, Consulting, Publishing, Legal Communications, and Other.
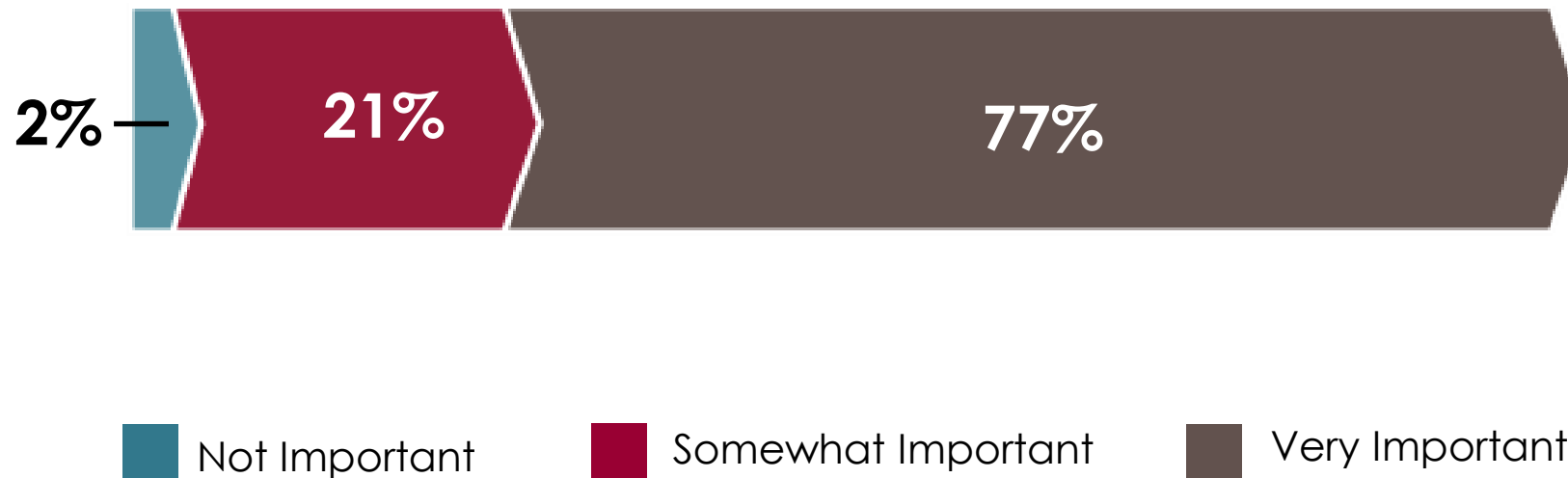

Pie chart: 23%, 27%, 15%, 16%, 19%
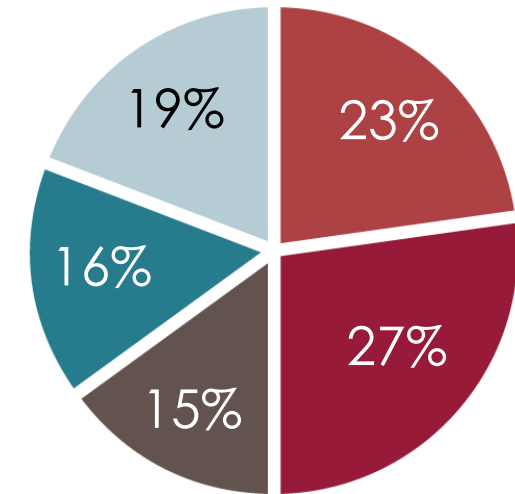
■ Under 1,000
■ 1,001 to 5,000
■ 5,000 to 10,000
■ 10,001 to 50,000
■ More than 50,000

Over Three Quarters Believe that Their Community is Very Important to Their Business

How important do you believe your community is to your business?

2% — 21% 77%

■ Not Important   ■ Somewhat Important   ■ Very Important

▶ Customer Communities are believed to be more important to organizations than Employee or Partner Communities.

▶ Organizations with Customer Communities **are more likely** to believe that their community is **Very Important** to their business (82% vs. 63% for those with only Employee and/ or Partner Communities).