

2017 State of Customer Marketing Report

Improving Post Acquisition
Marketing Performance

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The logo for Keyne, featuring the word "keyne" in a lowercase, bold, sans-serif font. The letter 'o' is stylized with a white circle inside it.

Table of Contents

Introduction	3
Executive Summary	4
Status of Customer Marketing	7
Customer Marketing Activities	9
Customer Marketing Metrics	10
Importance of and Satisfaction with Customer Marketing Efforts	13
Customer Marketing Skills	19
Future of Customer Marketing	21
Bottom Line	27
Acknowledgements	28
About Influitive	29
About Koyne Marketing	30

Introduction

2017 STATE OF CUSTOMER MARKETING SURVEY

The principal goal of many B2B companies today, regardless of industry, is to innovate so they can attract new customers with each and every iteration of their product or service. Buzz around new customer conversion that focuses on concepts like “disruption,” “growth-hacking,” and “monetization” can lead even seasoned marketers to concentrate all their energy and resources on lead generation and conversion of net new customers.

Too often, however, there is one area of revenue generation and expansion that is neglected – customer marketing. Customer marketing is not just renewal or repeat purchase efforts, but the complete set of activities undertaken by a company following a customer’s purchase of products and services in order to help those customers be successful and productive, as well as advocate for the company. By developing and strengthening customer relationships many companies can capitalize on this rich revenue source.

There are several reasons why customer marketing can be so profitable. First, businesses have already established credibility and trust with their accounts. Second, firms already have substantial insights into their customers, and third, marketers have greater awareness of customer satisfaction and approval. Building on existing customer relationships and deepening their knowledge allows companies to provide better service and to develop new features, products, and services that meet customer needs. According to **The Incite Group**, 91% of B2B buyers are influenced by word-of-mouth when making buying decisions.

When customer needs are anticipated and met, brand evangelizing opportunities are created.

In order to better articulate the ways in which customer marketing can expand revenues, Koyne Marketing has conducted a survey of company leaders and top marketers. The survey examines how organizations currently manage the planning, resourcing and measurement of existing customer marketing efforts. Key findings reveal data that will be useful to help your organization expand revenues and maximize your own success with customer marketing.

Executive Summary

We collected data primarily from CEOs and marketing executives at more than two hundred B2B organizations. We define company size by revenue band; small companies have annual revenues up to \$25M, medium companies report revenue between \$25M and \$1B, large companies have revenue greater than \$1B.

One analysis reveals some significant findings:

- Only 61% were satisfied with the results of current customer marketing efforts. Of the satisfied respondents, most were from large organizations. This represents a significant opportunity for growth in the customer marketing arena.
- Over 90% of respondents acknowledged that customer marketing is somewhat or very important.
- Over the next year, 93% of organizations expect that their customer marketing efforts will take on greater importance, and 62% will increase their staff or budgets in the customer marketing area.
- The top two impact metrics come from activities that fewer than 50% of respondents report being part of their customer marketing efforts.
- Companies identified three main skills as vital to the success of customer marketing efforts: relationship building, communication, and customer service.
- Nearly half (49%) of companies reported that their customer marketing efforts resulted in moderate to significant revenue gains.
- Large companies (71%) report greater gains due to customer marketing than medium (52%) or small companies (44%).
- The three most frequently tracked metrics were upsell/cross-sell revenues, renewal/churn rate, and customer satisfaction.
- The most frequently used customer marketing strategies were customer referrals and testimonials; customer user groups; and events and newsletters.
- Attention to customer satisfaction pays off. Organizations reporting moderate to significant revenue from customer marketing are more than two and a half times more likely to report high levels of customer satisfaction.

The balance of this report details the survey results and analysis.

CUSTOMER MARKETING IMPACT ON REVENUE

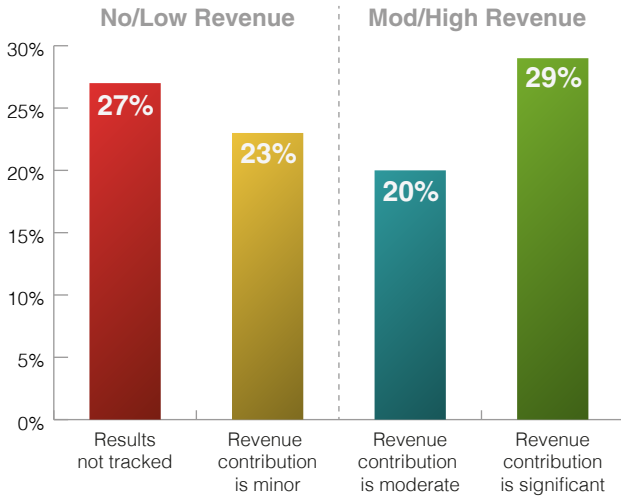
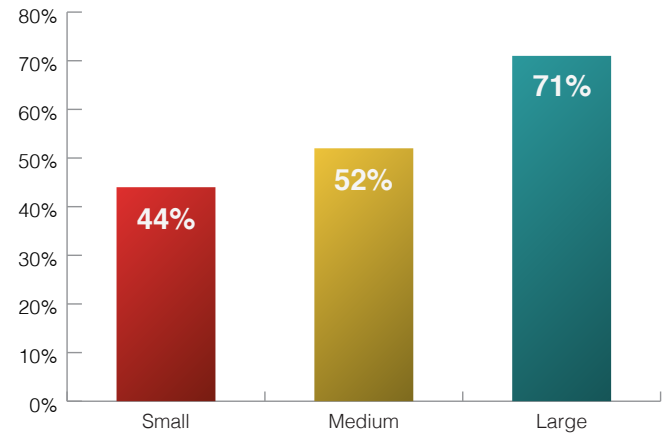


Figure 1

Of survey respondents, 49% reported that their customer marketing efforts resulted in moderate or significant revenue. 23% reported minor revenue contribution, but a surprising 27% **do not even track** this revenue source.

For companies that report minor revenue contribution, there was a strong correlation between the number and effectiveness of customer marketing programs. For those firms who do not track revenue contribution, there was a strong correlation to the satisfaction with current customer marketing efforts (figures 11 and 12).

MODERATE / HIGH REVENUE IMPACT - COMPANY SIZE



Note: Small--Annual revenue upto US\$25, Medium--Annual revenue US\$25m to US\$1b, Large--Annual revenue more than US\$1b

Figure 2

The responses from Figure 1 are divided by company size into 2 groups:

- those with no/low revenue impact
- those with moderate/high revenue impact

SATISFACTION WITH CUSTOMER MARKETING RESULTS

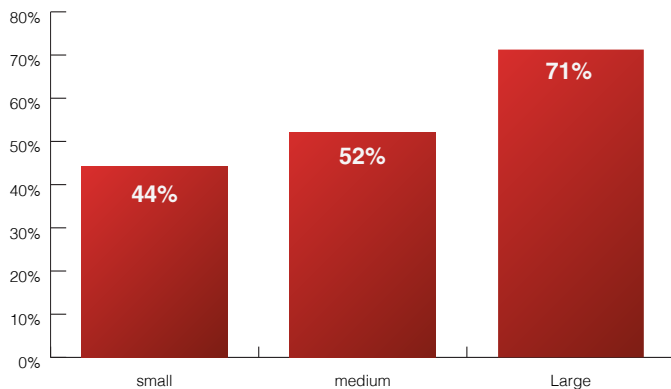


Figure 3

For small and medium companies, the impact is divided roughly in half between low revenue or none, and moderate or high revenue. But as company size increases, so does the impact. Large companies **are satisfied with customer marketing results 71% of the time.**

Company size is determined by annual revenue as follows:

- small = up to \$25m
- medium = \$25m - \$1b
- large = over \$1b

Status of Customer Marketing

Overall, large companies are 36% more likely than medium companies, and 61% more likely than small companies, to see a moderate or significant impact on revenue from their customer marketing efforts.

One might expect that the bigger a company's customer base is, the greater the opportunity for customer marketing revenue. However our findings indicate that success from customer marketing is more a function of resource allocation and attitude than size of customer base.

Companies with a dedicated team and who provide adequate resource allocation for customer marketing obviously have a deeper commitment to the success of their efforts. Unsurprisingly, they enjoy greater revenue success as a result.

YEARS OF CUSTOMER SATISFACTION PROGRAM

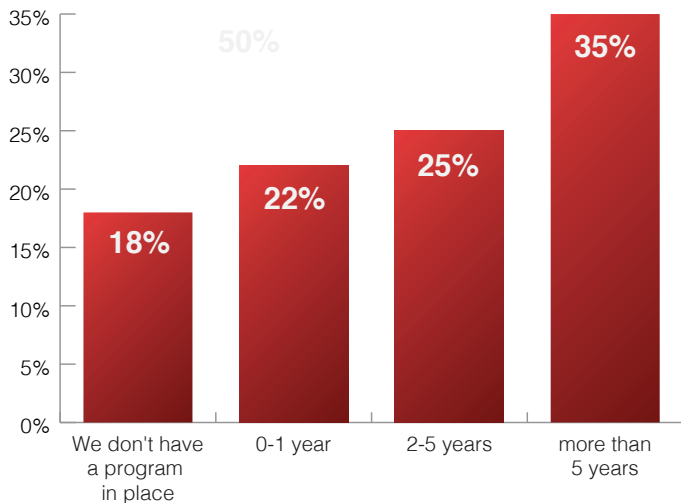


Figure 4

YEARS OF CUSTOMER SATISFACTION PROGRAM

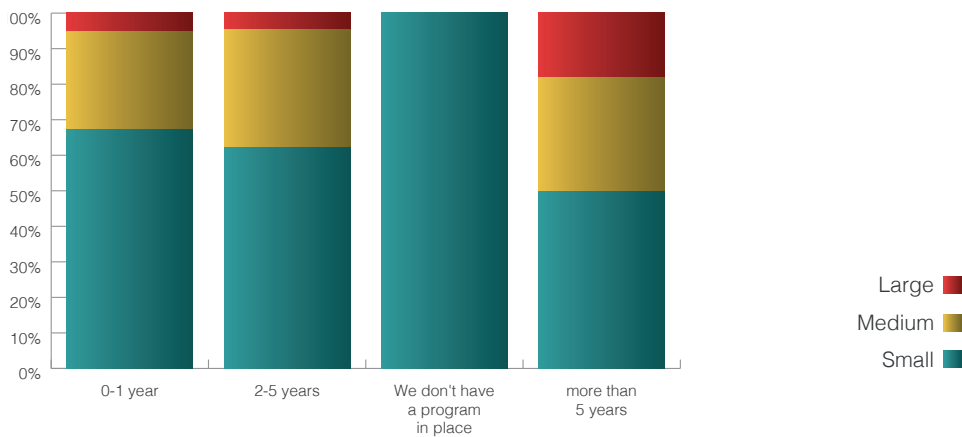


Figure 5

- 18% of survey respondents revealed that **their organization has no customer satisfaction program in place** at all.
- All of the companies that have no customer satisfaction program are small (<\$25M). When Koyne followed up with these small firms, we discovered that there was a desire to have such programs in place, but management hadn't yet hired and trained people skilled in implementing customer satisfaction programs.
- Most large companies have been investing in customer satisfaction efforts for more than 5 years.

These two graphs reveal that earlier stage companies who, when they prioritize customer satisfaction and success, have an opportunity to outperform similarly sized companies in terms of renewal and upsell. Additionally, they have a greater share of new business that originates from customer advocates.

Customer Marketing Activities



Figure 6

With the status of customer marketing established, what activities form the basis of customer marketing? The most widely used customer marketing activities are:

- Customer references/testimonials (62%)
- Customer user groups/events (45%)
- Newsletter (41%)
- Advocate marketing (37%)

Customer Marketing Metrics

CUSTOMER MARKETING METRICS IN USE

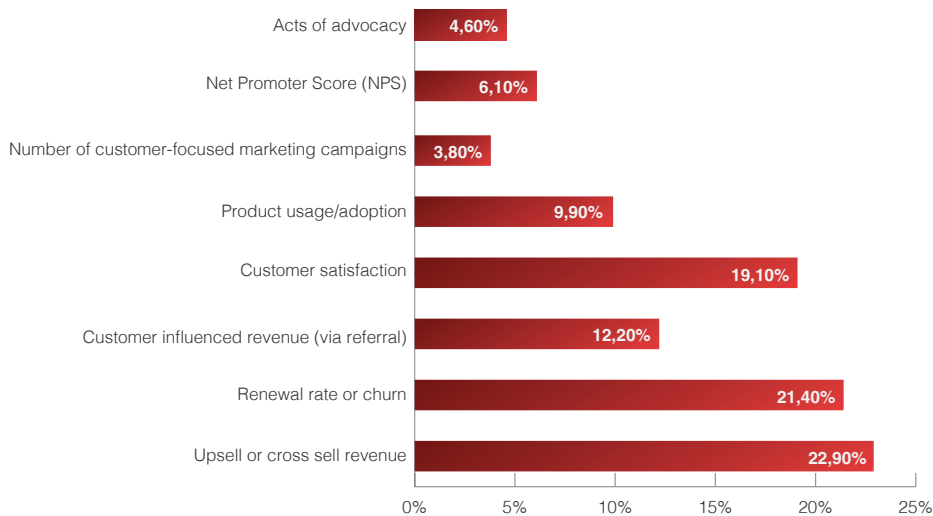


Figure 7

Which metrics are actually in use now to track the effectiveness of firms' customer marketing efforts?

The top three metrics respondents currently in use are:

- Upsell or cross-sell revenue
- Renewal rate or churn
- Customer satisfaction

Interestingly, these metrics don't actually correlate with the most common customer marketing activities. This is a clear misalignment, and seems to indicate that while marketers intuitively understand the value of customer marketing activities, they don't have the systems and processes in place to properly track the value they are creating.

What are the ideal metrics for tracking customer marketing effectiveness? In the graph below, one sees the difference between what respondents currently use versus what they believe are the most important tactics:

Customer Marketing Effectiveness Metric	Should use Rank	Are using Rank
Up-sell or Cross Sell Revenue	1	1
Renewal rate or Churn	2	2
Customer influenced revenue (via referral)	3	4
Customer satisfaction	4	3
Product usage/adoption	5	5
Number of customer-focused marketing campaigns	6	7
Net Promoter Score (NPS)	7	6

Figure 8

Oddly, the metrics used most often do not align with what respondents feel is most important. Customer Influenced Revenue (referrals) is in the top three, and therefore should be tracked more frequently, yet it's only tracked by 12% of respondents. This may indicate that customer marketers have difficulty tracking the results of referrals.

Of the metrics used to measure the success of customer marketing efforts, three are strongly associated with moderate to significant revenue impact:

- Renewal rate or churn
- Customer reference/testimonials
- Referrals

We can assume that because organizations are tracking these efforts, they are also aware that repeat or renewal customers - and customers who give referrals - are customers who are satisfied. Customer satisfaction, by extrapolation, is an indicator of marketing success and higher revenue impact.

Importance of and Satisfaction with Customer Marketing Efforts

IMPORTANCE OF CUSTOMER MARKETING

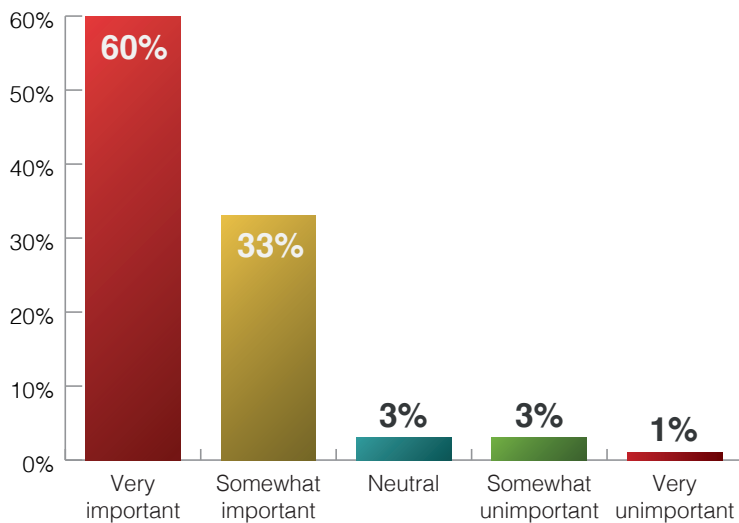


Figure 9

60% of survey respondents state that customer marketing is very important to their revenue. 33% believe it is “somewhat” important. 7% are neutral or think it’s not important.

Although 49% of respondents see moderate or significant revenue impact (Figure 1), 93% agree that customer marketing efforts are important or very important.

IMPORTANCE OF CUSTOMER MARKETING

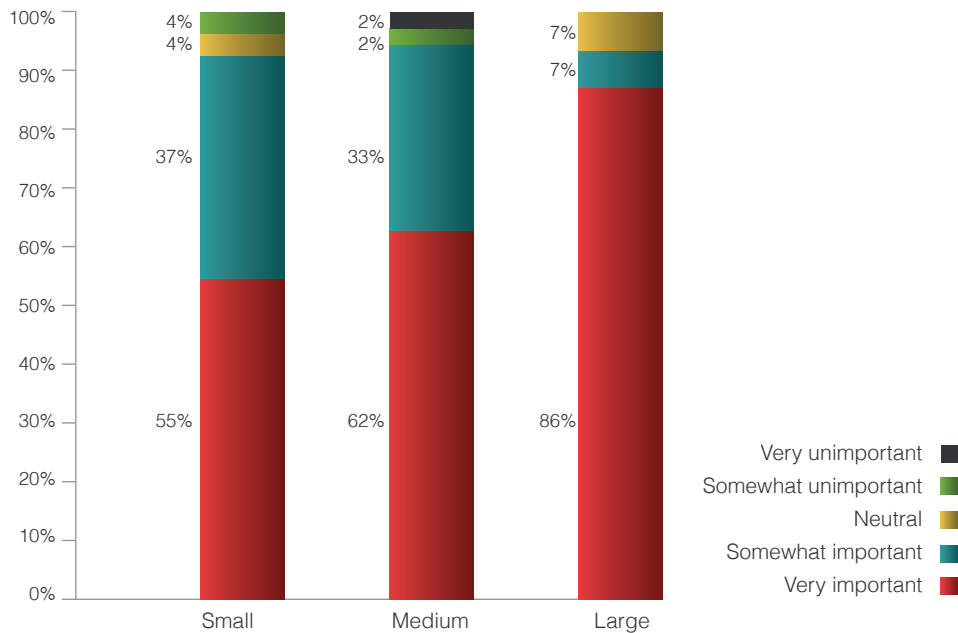


Figure 10

Looking at the results at a more granular level, all companies generally agree that customer marketing is important.

- Small: 92% somewhat or very important
- Medium: 95% somewhat or very important
- Large: 93% somewhat or very important

Notably, although medium and small companies aren't reporting significant revenue impact, **they are aware of the importance** of customer marketing efforts. This reinforces the hypothesis that companies are inefficient at deriving value from what should be their most valuable assets - their existing customers.

Despite this awareness, companies that fail to invest in Consumer Marketing efforts are **not maximizing the opportunity to significantly, and positively, impact the bottom line.**

Let's look at the levels of satisfaction with customer marketing efforts, as reported by surveyed organizations:

SATISFACTION WITH CUSTOMER MARKETING RESULTS

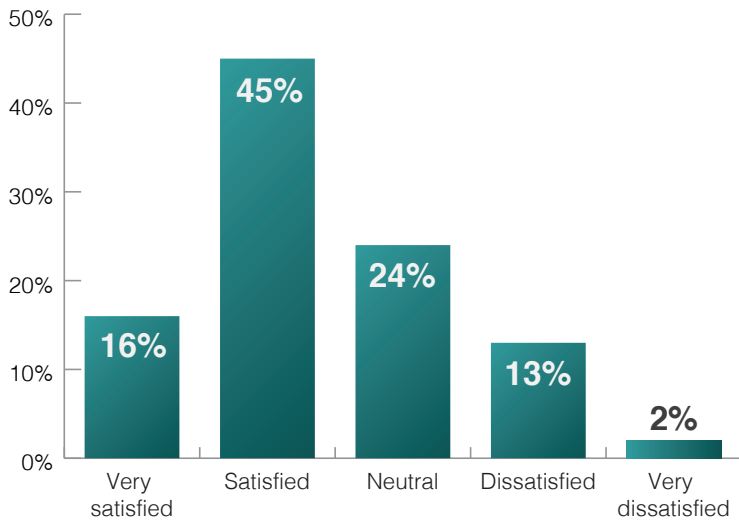


Figure 11

- 61% satisfied or very satisfied
- 24% neutral
- 15% dissatisfied or very dissatisfied

Nearly **40% of surveyed organizations are not satisfied** with the results of their efforts. This means there is tremendous room for improvement, and a big opportunity for marketers to make positive changes in their strategic plans, including aligning customer marketing activities with the business metrics that the Board and executive team care about.

While all companies reported a classic bell curve of satisfaction with their customer marketing efforts, a more detailed look at company size reveals additional insight. **Larger companies were much more satisfied** with their results than either medium or small companies.

So what conclusions can be drawn? To be clear, this satisfaction as related to company size is correlation, not causation – **we must dig deeper** to find out why large companies are more satisfied. It may be that investments in supportive processes and operations are the reason.

SATISFACTION WITH CUSTOMER MARKETING RESULTS

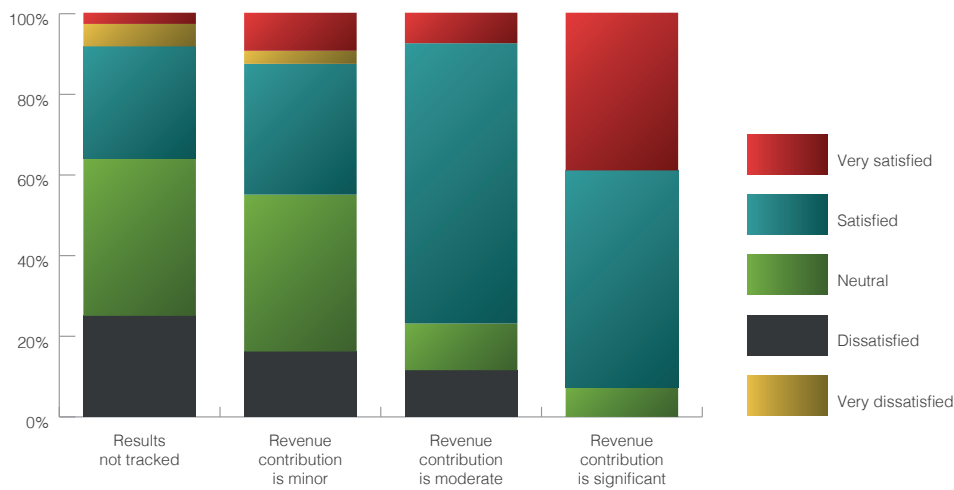


Figure 12

Unsurprisingly, dissatisfaction levels are higher in instances where the company does not track results of revenue contribution of customer marketing activities, or if the contribution is minor. This underscores **the importance of tracking results** when programs are implemented.

If results for small and mid-size companies are to improve, leaders in the executive suite must ensure their Marketing, Sales and Customer teams are working collaboratively on a strategy and an executable plan to maximize the value of customer assets; and are implementing processes to measure the performance of those efforts.

SATISFACTION WITH CUSTOMER MARKETING RESULTS

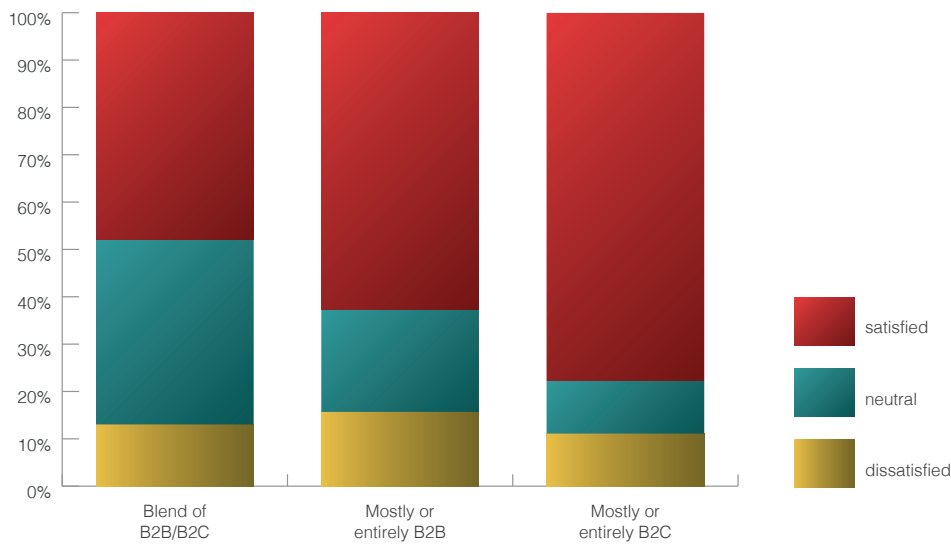


Figure 13

While the percentage of satisfied adopters of customer marketing is high across all sizes of organizations, large companies are significantly more satisfied with their customer marketing results.

Customer Marketing Skills

Koyne asked which skills are most important to having success with customer marketing. Respondents were requested to rank skills. These are the summarized results:

1. Relationship building
2. Communication
3. Customer service
4. Digital marketing
5. Creativity
6. Organization
7. Social media
8. Selling
9. Event planning

Each skill listed is important; however, the **ranking indicates priority** as identified by respondents as critical to the success of customer marketing efforts.

There is one noticeable outlier – compare with (page 3). In it, customer groups and events are the second most frequently employed customer marketing tactic. But the necessary event planning skills were ranked at the bottom of the list. Marketers may want to revisit their prioritization to better align with actual or needed skills .

We decided to compare skills ranking between the two customer marketing revenue impact groups defined using data in page 5. We uncovered some slight differences in rankings:

Skills Critical to Customer Marketing Success	No/ Low Revenue Impact Skills rank	Moderate/ High Revenue Impact skills rank
Relationship building skills	1	1
Communication Skills	2	2
Customer Service skills	4	5
Digital marketing skills	4	3
Creativity	4	5
Selling Skills	3	4

Figure 14

Comparing these rankings shows the same top 5 skills are valued by both groups, but the prioritization is slightly different. **Customer service and creativity** are least important to organizations that reported moderate or high revenue. To low-to-moderate revenue companies, not one of these skills rated a 5, or least important. In follow up interviews, the highest performing companies say that by far, successful customer marketers, and by extension, customer marketing programs are formed on a foundation of good customer relations and strong outbound communication with customers.

The Future of Customer Marketing

Clearly, customer marketing is an important element of meeting and increasing revenue goals. But how do companies perceive this function?

FUTURE IMPORTANCE OF CUSTOMER MARKETING

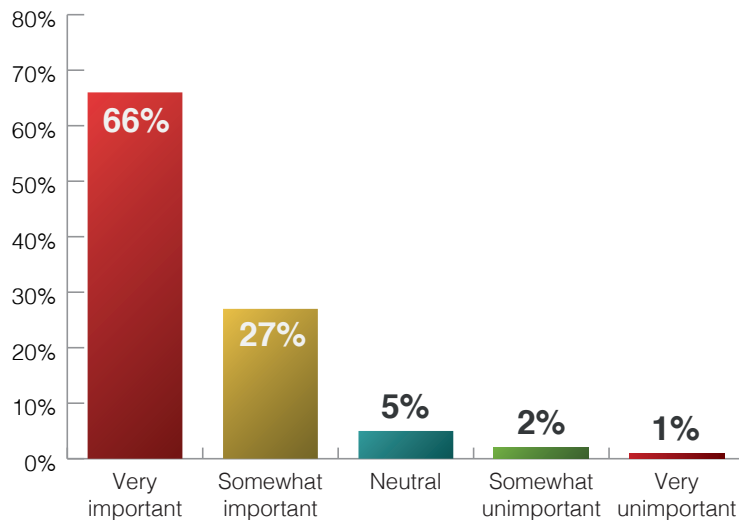


Figure 14

The respondents we surveyed revealed that customer marketing efforts are **growing in importance**. As you'll see in the next few charts, many of the changes to customer marketing will relate to the **expansion of staffing and other resources**.

PROJECTED CHANGES: BUDGET, STAFF OR RESOURCES

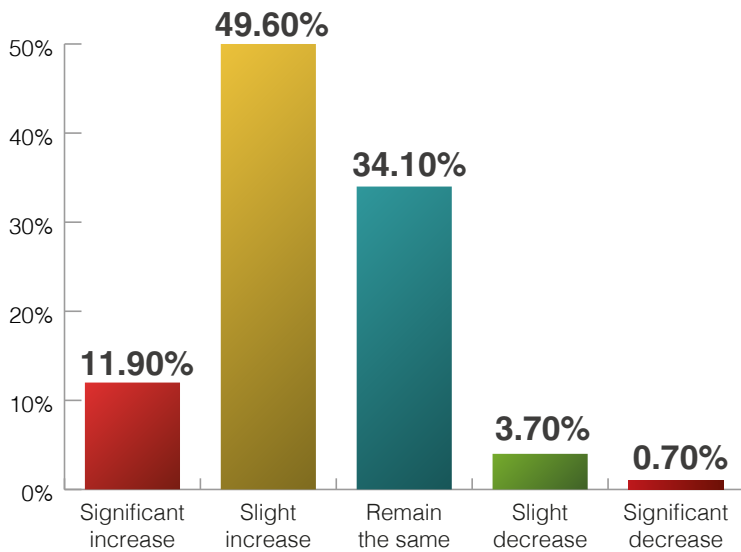


Figure 15

In estimating future investment trends, more than two thirds of respondents will boost their investment in customer marketing by increasing budget, staff or other resources in the next year.

Based on the relationship between customer marketing revenue results (Figure 1) and customer satisfaction (see next chart), we can assume that these investments will produce a satisfactory return.

Our survey revealed a strong correlation between customer marketing effectiveness and customer satisfaction.

REVENUE IMPACT AND CUSTOMER SATISFACTION

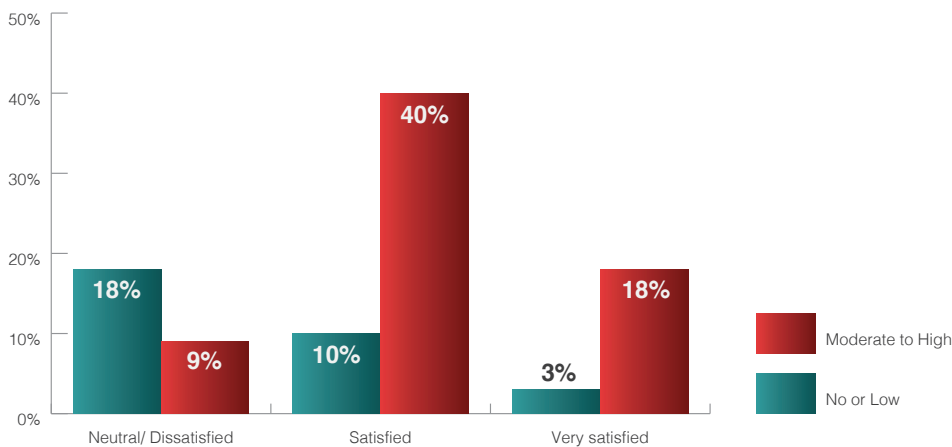


Figure 16

This correlation is strong. Companies with **moderate and high revenue** from customer marketing efforts report that their **customers are satisfied or very satisfied**. On the other hand, companies whose customer marketing efforts have poor, limited or no results also show neutral or dissatisfied customers.

There are many facets to customer marketing and the responsibility of generating revenue cannot all be tied to customer satisfaction. However, it is a significant and clear factor.

Satisfied customers buy more.

Projected Changes

Current investments in budget, staff, or other resources:

PROJECTED CHANGES: BUDGET, STAFF OR RESOURCES

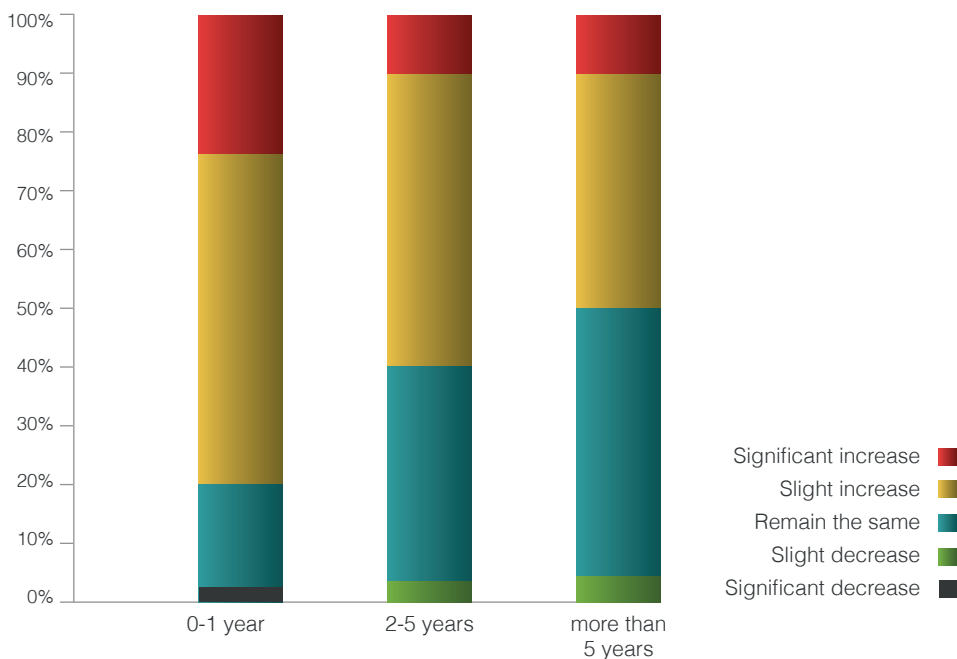


Figure 17

This chart indicates that companies make heavy investments in customer marketing **in the early years**. They seem to feel that only incremental investment, in order to sustain performance, is required after the second year.

Current investments in budget, staff, or other resources:

PROJECTED CHANGES: BUDGET, STAFF OR RESOURCES

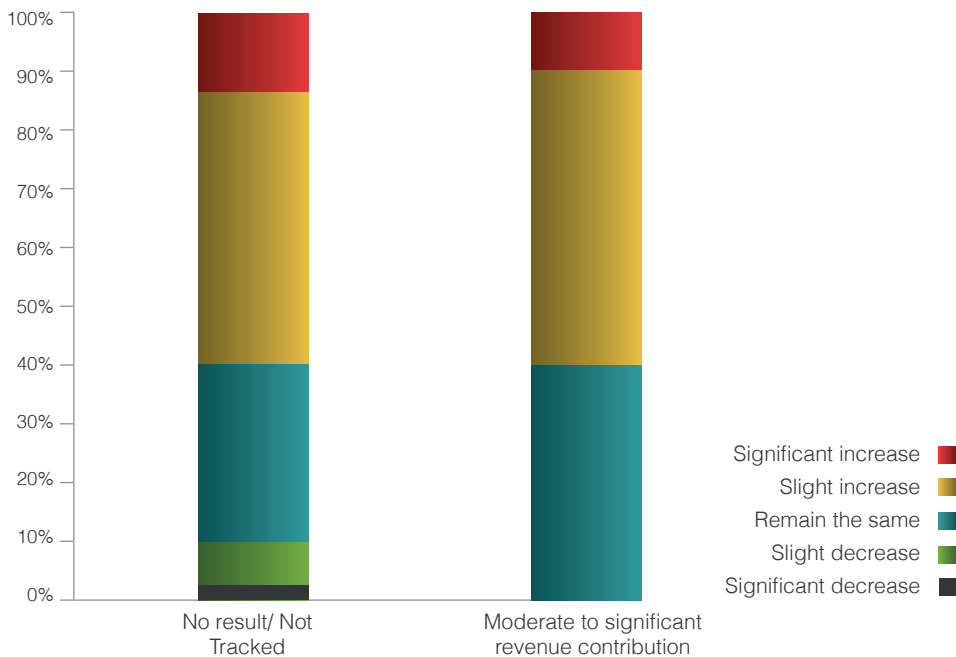


Figure 18

Companies that experienced **moderate or significant revenue** impact from customer marketing efforts **plan to maintain or increase their investments** in these programs.

The companies with poor results or who did not track their customer marketing programs intend to decrease their investments, with just a few keeping the investment level the same. This indicates that companies that don't see significant benefits are not willing to continue the investment – despite the fact that we have seen how a **dedicated staff and resources can dramatically improve marketing outcomes**.

PROJECTED CHANGES: BUDGET, STAFF OR RESOURCES

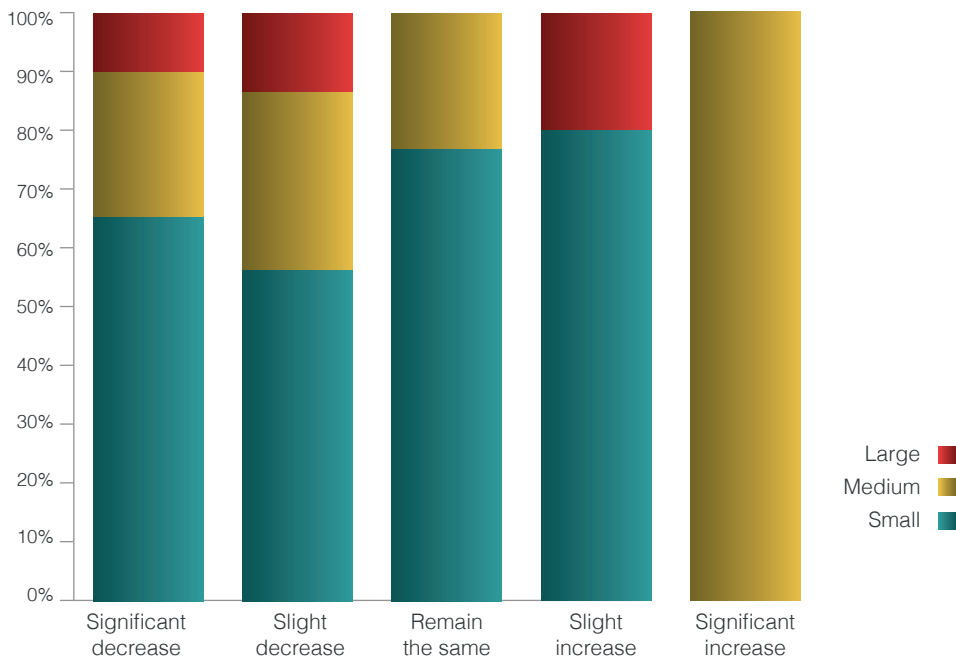


Figure 19:

Adjustments to customer marketing investments vary depending on the size of the company.

Most medium sized companies plan to significantly increase their investments, while large companies aren't changing much.

Small companies' investment plans are more diverse, and only significant increases are off the table, perhaps because they simply don't have the deep pockets of larger companies.

The Bottom Line

When properly resourced, customer marketing acts as a bridge between two of the biggest assets of any company: their customers and their employees. When employees are trained with the essential skills and provided with adequate resources to execute their strategic plans, the potential revenue impact of their efforts is substantial.

Our survey found that most companies acknowledge the importance of using customer marketing as a strategy for achieving revenue goals. But not every company is investing in alignment with their aspirations. Fully 18% of these companies – all 18% identified as small companies – have yet to even launch a customer marketing program at all. And another 22% of respondents are less than a year in, indicating that customer marketing for nearly half of companies is in its infancy.

Furthermore, less than half of our survey respondents felt satisfied or very satisfied with the results of their current efforts. Clearly, there is a lot of room for improvement all around.

What to Do? Best Practices for your Customer Marketing Function

Koyne's analysis of the survey responses has revealed some important best practices that companies can use as guidelines to derive better results from their customer marketing efforts.

Plan Strategically. First and foremost, every organization needs to be focused on the activities which bring the most return. The three activities that this study identified which bring the greatest value are:

- Renewal campaigns
- Customer referral programs
- Cross sell and upsell efforts

Measure Success. Assuming that these activities will occur naturally or without encouragement, or that they need not be tracked, is a mistake. Different metrics need to be identified, tracked, and updated to reveal the success or failure of each program. Of paramount importance is tracking revenue derived from these efforts. Having this data enables marketers to evaluate and correct any ongoing effort, and to better plan future efforts.

Invest Wisely. Successful customer marketing is a combination of enough properly trained staff, properly trained, adequate financial investment, and time. Having the Customer Marketer send out a few email blasts or make a couple of Facebook posts is not the same thing as an expertly planned and tracked campaign.

Work With Experts. From follow up conversations with survey respondents, we've seen that while there are many customer marketing initiatives at firms both large and small, there are few companies that believe they have a comprehensive, overarching strategy for reaching revenue goals, enhancing the customer experience and building their brand through best practices. We suggest that they seek advice from services firms with experience in helping companies build data-and-metrics driven customer marketing programs to speed time to value and tie activities to positive outcomes.

Acknowledgements

Koyne Marketing is grateful to Influitive for sponsoring this study and to the participants who took the time to provide us with their input. Special thanks to co-authors Jason Hekl and Siân Killingsworth and to students in statistics at Stanford University for their review of this material to ensure accuracy and completeness.

Appendix - Survey Background

The customer marketing benchmark survey was administered online between August 10 - September 17, 2016. During this period, 247 responses were collected, 202 of which were complete enough for inclusion in the analysis. The data was analyzed using SPSS to ensure the statistical validity of the findings. The representativeness of these results depends on the similarity of the sample to environments in which this survey data is used for comparison or guidance. Summarized below is the basic categorization data collected about respondents to enable filtering and analysis of the data:

Annual Sales

\$10m or less:	45%
\$11 to \$25m:	14%
\$26 to \$100m:	17%
\$101 to \$1b:	13%
Over \$1b:	10%

Primary Role of Respondent

CEO or Owner:	22%
Marketing:	54%
Sales:	5%
Customer Service	10%
Other:	8%

Type of Organization

B2B:	77%
B2C:	7%
Both:	16%

About Influitive

Influitive is driving the shift from company-centric marketing to advocate marketing. Influitive helps B2B companies to spark, build and sustain a movement behind their brands through the voice of their most passionate advocates. Influitive's advocate marketing platform is purpose-built for driving deep human engagement at scale – persistently engaging customers, employees and partners to participate wherever advocacy happens. Influitive makes marketing investments better, giving companies an overwhelming advantage in expanding reach, accelerating sales revenue, and increasing customer retention and growth. To learn more, please visit www.influitive.com.



About Koyne Marketing

Koyne is an advisory and services firm focused on post-acquisition customer marketing. They help companies solve the question of customer retention, advocacy and expansion in order to strengthen their brands and improve the path to profitability.

Koyne develops primary research and benchmarks for clients, develops programs and can implement them or train in-house teams. Unlike an analyst firm, Koyne offers full stack services all the way through to delivery and measurement. And unlike most demand generation firms, they don't focus on first-time customer acquisition and advertising, but focus on leveraging the happy customers you already have to create durable competitive advantage.

Learn more at www.koynemarketing.com

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