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The Evolution Of The Customer Engagement Agency

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EXECUTIVE SUMMARY

As the demand for customer intelligence (CI) from business stakeholders grows and more organizations increase their CI maturity, organizations' marketing agency needs have also changed. A few traditional marketing services providers have recognized this need and are investing in services ranging from strategy development to creative execution to media buying. In this report, we explore the evolution of this model and provide a look ahead at the new customer engagement agencies.

CUSTOMER INTELLIGENCE NEEDS TO SUPPORT NEXT-GENERATION MARKETING EFFORTS

In the age of the customer, individuals expect relevant content and offers to be available when and where they want them.¹ At the same time, companies are finally waking up to the fact that not all customers are created equal, nor should they be treated equally.² Forrester believes that:

- **Customers care about experience, not channels.** Consumers don't differentiate between an email offer and a coupon in the mailbox; they expect to be able to use a discount in the channel of their choice.³ Similarly, they don't want to fill in the same form or repeat the same information half-a-dozen times in order to be recognized across an organization's multiple systems. Customer-obsessed companies will deliver a seamless, coordinated, consistent experience from call center to website to field sales.
- **Marketing in the future will shift from brand push to consumer pull.** As consumers begin to take control of their data, marketers will need to find new ways to engage with them.⁴ Consumers will share intent and "pull" offers to them. At the same time, they'll have more opportunities to opt out of marketing in traditional "push" channels. For example, banks will need to find new ways to reach customers using personal finance sites such as Mint.com, as those users visit their own banks' sites less frequently.
- **Marketers must evolve to meet their customers' expectations.** The days of static, campaign-centric marketing are ending, and customer intelligence is key to delivering on the promise of individual relevance and value. CI teams must supply marketers with the insights needed to optimize customer experiences across every touchpoint and, increasingly, in real time.⁵ Organizations that use CI to drive business strategy and customer engagement will thrive in the age of the customer.

MARKETERS NEED A NEW KIND OF AGENCY TO HELP THEM EVOLVE

Going from campaign-centric marketing to delivering individually customized and relevant messages is hard. CI teams tell us they need help with strategic initiatives such as organization design and compensation planning, but they aren't sure where to turn. Database marketing services providers (MSPs), while technically adept at managing data, are stuck in execution mode and have very limited strategic capabilities. Direct agencies have a little more experience with brand and business strategy but are still rooted in a channel-centric world. And although digital agencies are helping write the book on interactive and emerging media, they still don't understand the critical importance of incorporating offline insights and experiences into their customer engagement models (see Figure 1).

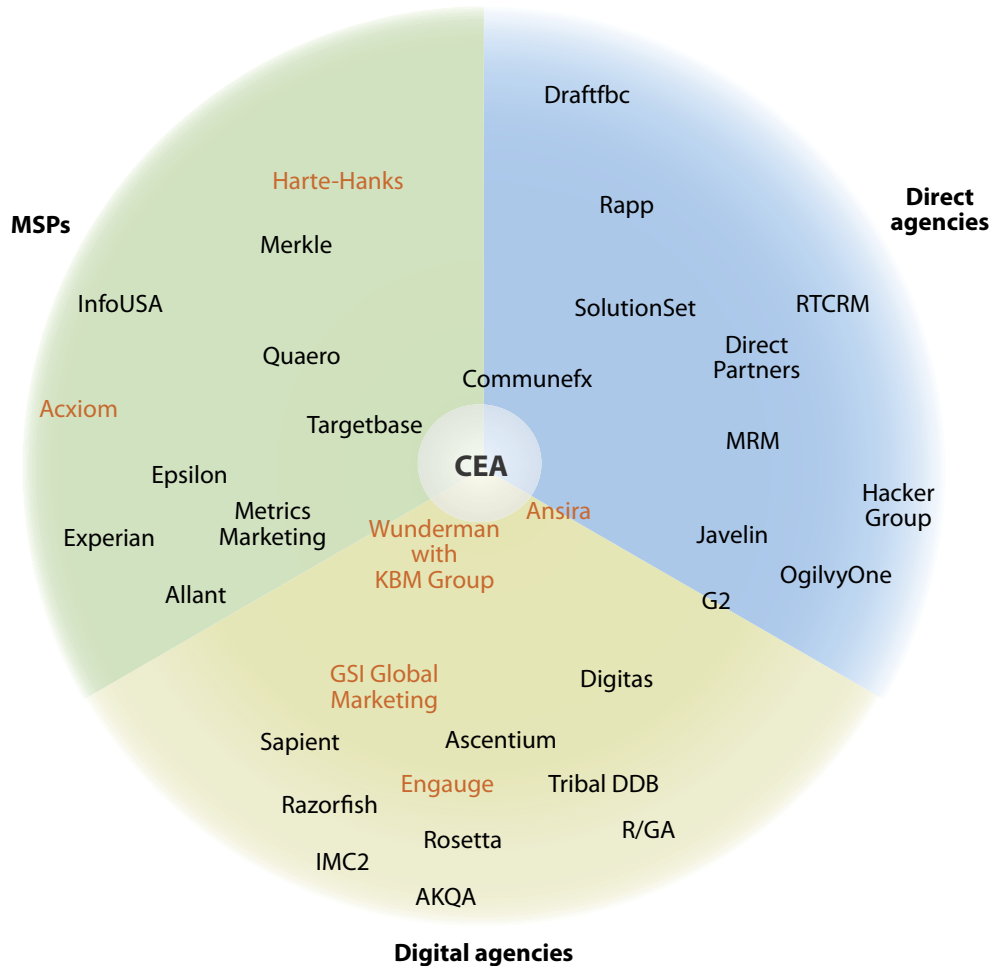
Enter The Customer Engagement Agency

Forward-thinking agency leaders are adding services and changing how they approach the marketing ecosystem, shifting from a traditional campaign-centric view of the world to one of continuous customer engagement. We call this emerging class of providers "customer engagement agencies" (CEAs) and define them as:

Agencies that focus on defining customer-oriented business strategies and mapping them to tactics and execution. They help clients maximize customer profitability and optimize customer experiences by applying data and analytics to every interaction.

To be clear, we don't believe that a true CEA exists today. But CI and marketing leaders are pushing their vendors to develop skills that drive business strategy and help CI take a seat at the executive planning table.

Figure 1 The Emerging Customer Engagement Agency Landscape



The firms noted in this graphic represent a subsection of the three categories from which customer engagement agencies are evolving. The closer to center a firm is, the more it encompasses the characteristics of a CEA.

When **Harte-Hanks'** The Agency Inside is also engaged, the firm gets much closer to the CEA model than when it's engaged solo.

The **Wunderman** model is compelling, but only with the engagement of KBM Group. Otherwise, it sits much farther from center.

GSI's recent acquisitions set it up as an interesting potential player in the CEA space. But even with all of its assets engaged, the firm is still likely to have a heavy digital lean.

Engauge recently decided to change direction to focus on its digital business.

Razor, the previous incarnation of **Ansira** prior to its acquisition by NSI, was very close to our definition of a CEA. We anticipate the firm will continue along that path.

Acxiom has recently announced a decision to refocus on its core data and marketing services business.

CEAs Will Put Customers At The Center Of Everything They Do

Even the early players in this category no longer serve just their clients. Gary Laben, CEO of KBM Group, told us, “It’s not our clients driving these changes; it’s our clients’ clients.” CEAs recognize that consumers are empowered in a way we’ve never seen before, and they drive customer centricity as a part of their mandate. Clients should look to CEAs to:

- **Drive customer value, not just marketing value.** Marketers need partners that have moved past the notion that campaign effectiveness is the barometer of marketing success. They need advocates for using customer profit and loss statements (P&Ls) as a way to measure marketing effectiveness and should apply that insight to identifying the right interaction for each customer rather than looking for the best customers for a marketing effort.
- **Provide the strategic foundation for customer experiences that are about more than just UIs.** While CI plays a growing part in influencing user interfaces (UIs) that meet client needs — whether that interface is a catalog or a website — that’s not where CEAs stop. CEAs will understand that a customer’s experience is affected by every interaction, whether it’s a “thank you” tweet or the way a customer service rep handles a service issue. And they’ll recognize the importance of each touchpoint from both data capture and data application perspectives to improve the whole experience.

CEAs Will Understand What “Multichannel” Really Means

Customer engagement agencies will have to move well beyond the ability to execute in specific, unique channels. They must internalize the fact that customers dictate the channels in which they want to engage, and the agency (and, by proxy, its clients) needs to be able to execute in this new reality. Expect a CEA to:

- **Focus on understanding the interplay between channels.** One major differentiator of CEAs will be their commitment to understanding the interplay between channels. Many agencies have been trying to gauge the effect of a single channel or campaign on another, but few have made the leap to looking at the network effect of channels on customer behavior. CEAs will use cross-channel attribution as a way to understand the complexity of interactions and will modify communication strategies to optimize every customer touchpoint, whether inbound or outbound.⁶
- **Empower and optimize the “channels” that are controlled by consumers.** These agencies must realize that consumers create their own marketing communications by way of blog posts, ratings and reviews, and social interactions. They will incorporate these “channels” into their analytics and look for ways to leverage them across the customer-relationship cycle.⁷ In some cases, we expect that these firms will actually invest in technology and interaction management tools to better empower consumer-creators.⁸

The CEA Business Model Helps Clients Evolve

Customer engagement agencies will turn the traditional agency business model on its ear. Even the early movers are taking a fundamentally different approach to managing teams that are client focused and are awarding them compensation based on client success. In other words, these agencies practice what they preach. A fully engaged CEA will:

- **Create integrated teams with deep horizontal and vertical expertise.** CEAs will take a fundamentally different approach to managing client accounts than their predecessors did. Ansira, for example, builds a center-of-excellence model for each client, with a strategic planner at the core. The planner serves as the knowledge hub for all media strategies and ensures that the right resources are engaged whether Ansira is executing the strategy or partnering with another one of the client's agencies. As a result, these agencies can measure their own success based on client success and maintain accountability at the most senior level.
- **Take a “rev-share” approach to compensation.** A few emerging CEAs are causing shockwaves in the agency world because they're putting their money where their mouths are. These agencies derive a portion of their revenues on a pay-for-performance basis that, by design, gives them a great deal of influence on everything from offer development to creative execution across channels. For example, Communefx, an MDC Partners agency, pitched an electronics manufacturer a project that the agency believed would increase conversions to the client's warranty offering. Communefx agreed to front the investment but asked to manage the entire program, from offer creation to targeting and deployment. The result? A hugely successful campaign, deeper trust and engagement with the client, and a high-margin payout for the agency.⁹
- **Invest in business technologies as a means to an end.** The evolving agencies we spoke with recognize that most technology is moving faster than they can — or want to — keep up with, so they leverage the tools that other firms develop. This blended approach — combining proprietary technology with off-the-shelf solutions — keeps them nimble and able to provide the right tools for each client. And, while they're just as compliant as their traditional legacy partners are, they don't compete on “technology stacks,” focusing instead on the results they deliver using the technologies to which they have access.
- **Help clients change business processes.** Because these agencies will reorganize their firms to be more client-centric, they'll be equipped to help their own clients navigate the change management processes required to become customer-centric. When KBM Group and Wunderman onboard a new enterprise client, for example, they follow a rigorous procedure that is a direct result of the client's internal learnings; the agency goes so far as to ensure that a member from its chief talent office is part of major pitches and onboarding processes.

BUYERS BEWARE: DIG BENEATH THE SURFACE WHEN EVALUATING POTENTIAL CEAS

Client organizations will choose to work with customer engagement agencies when they've: 1) internalized the importance of customer engagement over promotional marketing, and 2) grown tired of managing a menagerie of agency relationships, frequently working at cross-purposes. But ensuring that the selected partner really *is* an engagement agency (and not just an advanced legacy agency with stellar PowerPoint) will be crucial. When evaluating CEAs, clients should look for:

- **Cross-category capabilities.** Plenty of direct agencies do digital really well — as compared with their direct marketing agency competitors, that is. Clients looking for a CEA should evaluate the vendor against best-in-class providers from the complementary categories. In other words, how do they stack up against Forrester Wave™-ranked agencies across multiple competencies?¹⁰ CEAs will have invested heavily in digital, direct, and data capabilities — often by way of acquisitions — and will have integrated those services to create an offering that's greater than the sum of its parts.
- **Cross-channel customer engagement.** Although true CEAs must have expertise across all channels, by definition they must also be completely channel-agnostic, taking the long view to customer relationships. They should understand customer experience ecosystems, help clients map their own, and identify opportunities to apply customer intelligence across their various touchpoints.¹¹ They'll have moved well past the marketing funnel and should look at customer engagement as a continuum of relevant, contextually appropriate interactions — and they'll measure their efforts at every point along the way.
- **Cross-functional business understanding and client knowledge.** Account leaders across disciplines must work closely to achieve client goals and objectives. But how does the agency achieve that alignment from a functional perspective? The agency itself should be organized so that every key team member can speak to strategic initiatives irrespective of their actual practice area. Targetbase — which invests heavily on integration — assigns each client group a single conference room where cross-functional teams often spend workdays together and are always surrounded by each other's work: creative, strategic plans, and even the client's cultural artifacts.
- **Compensation and success metrics.** Most agencies still work on a legacy model: Spend time on the account and be rewarded. This often leads to clients paying for work they don't need, at the cost of loyalty and long-term profitability. Plus, when clients are unhappy, so are employees, leading to higher attrition. CEAs can only effectively service their customer-centric clients by taking the same organizational approach: Compensate teams on client value, loyalty, retention, and profitability. When everyone has skin in the game, teams work more collaboratively, more efficiently, and with greater accountability.

WHAT IT MEANS

CUSTOMER ENGAGEMENT AGENCIES WILL BE A BOON FOR CUSTOMER INTELLIGENCE

CI professionals should be excited about the emergence of this new class of agencies. CEAs have the ability to elevate the customer intelligence discussion within client organizations and provide more visibility to internal teams. They tell the story of a data-driven approach to customer centricity, in a way that most legacy agencies can't, because they understand both the data and the customer experience. Working with these agencies will, finally, allow CI practitioners to get out of the weeds and become a strategic force within the organization. But there are a few things to be aware of as these firms continue to develop their business models:

- **These agencies will be forced into exclusivity agreements.** Clients will expect category exclusivity of their customer engagement agencies. Why? Because, unlike their predecessors, these agencies will have a hand in strategic business decisions across channels, making the relationship inherently more valuable. As a result, finding a CEA — and, more importantly, the right CEA — may prove challenging for clients until the category is more widely penetrated.
- **Lots of agencies will fail to fully evolve into CEAs.** Plenty more direct, digital, and MSP players will try their hands at becoming CEAs than will actually be successful. Clients have to take a leap of faith that their agency will cross the divide successfully but must keep close watch for signs that the agency is failing: Infighting and finger-pointing, lack of investment in new resources, and failure to reorganize its own practice are all indications to consider searching for a more evolved partner.
- **Legacy service providers will likely have to go backward.** As CEAs become the gold standard of a fully engaged, cross-channel, cross-functional marketing partner, what will happen to the existing market categories? We believe there will be more division. Digital agencies, for example, will need to further specialize, focusing their efforts on a subset of digital services, such as mobile, web design, or social media.
- **Leaders that hire CEAs will fast-track toward “chief customer officers.”** As customer intelligence begins to inform business and not just marketing strategy, the leaders that embrace customer engagement agencies as their organizations' lead agencies will take on new responsibilities as well. Titles such as customer strategist and chief customer officer will begin to emerge, and we foresee that these roles will become the feeder for future CMO and CEO positions.¹²

SUPPLEMENTAL MATERIAL

Companies Interviewed For This Document

Ansira	Quaero
Communefx	Targetbase
Javelin Marketing Group	Wunderman
KBM Group	

ENDNOTES

- ¹ Forrester believes that we have entered the age of the customer; companies that want to compete in this new era must move beyond customer centricity. To read more about what makes a successful customer-obsessed company, see the June 6, 2011, "[Competitive Strategy In The Age Of The Customer](#)" report.
- ² This report outlines the variability of customer value and how organizations measure and act on these differences. See the March 11, 2009, "[Executive Q&A: Customer Lifetime Value](#)" report.
- ³ How customers use channels is extremely complex. This report provides a view into the customer experience aspect of these interactions. See the April 4, 2011, "[The Multi-Touchpoint, Agile Commerce Consumer](#)" report.

Firms looking to evolve their channel strategies in response to these changes should also see the March 11, 2011, "[Welcome To The Era Of Agile Commerce](#)" report.
- ⁴ Forrester believes that a concept called personal identity management will give consumers ever-greater control over their personal data and the ability to limit marketers' access to that data. To read about these coming changes and how they will affect customer intelligence professionals and marketers, see the September 30, 2011, "[Personal Identity Management](#)" report.
- ⁵ The age of the customer requires firms to leverage customer intelligence across the organization and far beyond marketing. CI professionals need to adapt to these needs. See the October 27, 2011, "[CI's Imperative In The Age Of The Customer: Drive Business Success](#)" report.
- ⁶ Adoption of cross-channel attribution has been slow, primarily because most organizations face cultural challenges in applying the results strategically. CEAs will help because of their channel-agnostic view of the marketing ecosystem. See the December 3, 2010, "[Untangling The Attribution Web](#)" report.
- ⁷ To read more about the importance and value of leveraging social data within the customer database and how organizations are working towards this integration, see the October 25, 2011, "[The Road Map To Integrating Social And Customer Data](#)" report.
- ⁸ Customer interaction management tools fall into five categories: cross-channel customer service delivery; knowledge management for customer service; business process management for customer service; customer communities; and customer feedback management. See the December 10, 2010, "[Market Overview: Customer Service Specialty Solutions](#)" report.

- ⁹ Of course, this is a risky proposition because the agency can never truly control all the variables — customer service, inventory management, and other operational issues can be the difference between a program’s success and failure. Agencies and their clients must maintain the highest levels of communication and transparency for a rev-share approach to compensation to work.
- ¹⁰ The vendors with which a CEA should compete hail from a multitude of competencies across strategy, analytics, and execution. We expect them to excel in a number of Forrester Wave-evaluated categories. See the January 12, 2011, “[The Forrester Wave™: US Database Marketing Service Providers, Q1 2011](#)” report, see the August 7, 2009, “[The Forrester Wave™: US Interactive Agencies — Strategy And Execution, Q3 2009](#)” report, and see the January 31, 2011, “[The Forrester Wave™: US Search Marketing Agencies, Q1 2011](#)” report.
- ¹¹ Mapping the customer experience ecosystem is complicated and requires a great deal of cross-collaboration. Teams inside the organization must work with customers and with vendors to create an accurate and actionable map of the customer journey. For more information, see the June 22, 2011, “[The Customer Experience Ecosystem](#)” report.
- ¹² Forrester reviews several organizations that have appointed a CCO and discusses how to assess whether your firm is ready to create such a role. See the January 24, 2011, “[The Rise Of The Chief Customer Officer](#)” report. In addition, we provide a sample job description for a customer strategist, including the skills required to understand both the qualitative and quantitative aspects of customer insight and analytics. See the April 29, 2011, “[Preparing For The Intelligent Enterprise: A Blueprint For Customer Intelligence Professionals](#)” report.