



Which of the following current topics will significantly change the market in the next year? And what is the impact? (Business Intelligence/Analytics, Customer Engagement, Mobile, Security, or Social)

Of Business Intelligence/Analytics, Customer Engagement, Mobile, Security, or Social, I think the absolutely clear driver of significant change in the market in the next year will be customer engagement, perhaps with a little help from Analytics. Two key factors play into engagement's increasingly critical importance: the explosion of mobile, social media and communications technology, and the rise of the cloud and SaaS versus on-premise software. Because of the former, it's getting more and more difficult for marketers to acquire, retain and convert customers — even though there are more options than ever for reaching them — because they're not paying attention. As of 2012 the average person's attention span was eight seconds. Regarding the latter: it's much less of a hassle for a customer to switch SaaS products than it is on-premise products. Taken together, this essentially means that it's harder than ever to get customers' attention and easier than ever to lose it. Thus, keeping customers engaged is incredibly important.

Other thought leaders and business leaders agree: Dr. Geoffrey Moore called engagement the "big idea of 2013" (<http://www.linkedin.com/today/post/article/20121211105523-110300724-big-idea-2013-engagement>). On the Yahoo! Q4 earnings call, Marissa Mayer acknowledged that engagement is that company's primary business challenge, and that the relaunch of Yahoo! Mail and Flickr were part of efforts to increase usage and "engagement which drives advertisers' attention and, in turn, ad spend and revenue." Andreessen Horowitz wrote that, "Today, engagement is the better page view."

In SaaS the need for customer engagement is most apparent, and that sector is rapidly eclipsing its on-premise sibling; Goldman Sachs has predicted 20%+ CAGR in the SaaS market from 2011 - 2016, vs just 7% CAGR for on-premise software. This is because SaaS revenues hinge upon renewals to stay steady and are deeply susceptible to churn. If a customer's end-users don't adopt a SaaS product, the customer will be hard-pressed to realize that product's value and be less likely to renew. That hurts retention rates, leading to increased churn. Engagement is the customer loyalty solution for SaaS: it drives end-user adoption, increasing the solution's value to customers and making those customers easier to retain. The impact of this is, without being hyperbolic, potentially enormous. A recent Goldman report found that for SaaS vendors, a 2% increase in customer retention results in a 28% increase in revenue and a 20% higher valuation.

Engagement adds value, and there is plenty of room for its increase. More than half (55%) of customers aren't active in loyalty programs. 72% of customers never log in to online communities and sites. Content served up by Facebook only reaches 16% of customers, and many of them never click on it. Overall, only 25% of customers are swayed by a brand, according to Ernst & Young. This, despite the fact that companies have been spending real money on ways to reach customers. Spending on community technologies, for example, is expected to reach \$1.3 billion by the end of this year.

There are several ways for companies to boost customer engagement, but one of the most effective and scalable is gamification. The underpinnings of today's social games — game mechanics, reputation mechanics and social mechanics — make them incredibly engaging. These same mechanics can be layered onto digital properties, including web sites, customer communities and mobile applications, making them stickier and more engaging. They can also be included natively within a SaaS product rather than being added afterward. Organizations have already recognized this, and Gartner predicts that over 70% of Global 2000 organizations will have at least one gamified application by 2014.

An important thing to note about gamification, and this is where analytics comes into play, is that the strategy behind and design of a gamification program contributes greatly to its success and value. Simply adding visualizations like badges and trophies onto a website may cause a bump in user behavior, but the novelty can wear off and users will abandon their engagement. A more thorough strategy that allows organizations to measure user behaviors, reward those that are of high value in helping achieve business results, and analyze the results of their efforts allows companies to fine-tune their engagement elements based on behavioral data. This becomes another lens through which to view the success of digital properties, and when combined with traditional web analytics it provides marketers with a more holistic view of customers. Gamification strategies that don't provide measurable data and actionable analytics don't provide this lens.

As the universe of customer choices continues to expand and cloud-based products that are highly susceptible susceptible to churn become more prevalent, the urgency of the need to deepen customer adoption of these digital tools grows accordingly. That's why customer engagement, along with the ability to fine-tune that engagement through actionable analytics, will significantly change the market in the next year.

This interview was published in [SIIA's Vision from the Top](#) , a Software Division publication released at [All About the Cloud 2013](#)