

A Forrester Consulting  
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# Increase Revenue And Improve Customer Retention Through Customer Education Programs



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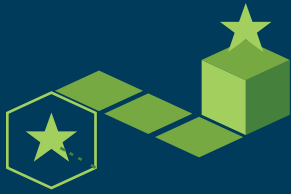
# Executive Summary

Organizations have been educating customers on products to increase the value they derive from them for years, but many organizations have not fully realized the value of creating a formalized customer education program. Programs carefully designed to provide customers with the best possible educational content can increase customer loyalty and retention and thereby raise revenue.

In July 2019, Intellum commissioned Forrester Consulting to evaluate the current state of customer education programs for varying companies. Forrester conducted an online survey with 300 respondents and three telephone interviews with customer education decision makers from US-based companies to explore this topic. We found that while there are certainly varying degrees of success, results from customer education programs have been overwhelmingly positive, and organizations are rapidly increasing their investments.

## KEY FINDINGS

- › **Customer education is on the rise.** Although there is still considerable room to grow, organizations are finding considerable success in their customer education programs. Our study found that 90% of respondents' organizations have had positive returns on their investment in customer education. In response, organizations have increased spending on customer education by 80% in the last two years and plan to more than double spending over the next two years.
- › **Formalized customer education programs yield significant benefits.** This study found that formalized customer education programs drive significant benefits in revenue, customer retention, and reduction in support costs. An average formalized customer education program drives a 6.2% increase in organizational bottom-line revenue, a 7.4% increase in customer retention, and a 6.1% decrease in support costs based on Forrester's risk-adjusted estimates.
- › **The most successful programs put the customer first and seek outside expertise.** While nearly all customer education programs have seen positive results, there is a wide range in levels of success. Forrester examined the behaviors of the most and least successful organizations and found that successful programs stem from an emphasis on fulfilling the needs of the customer, designing programs holistically, and utilizing external partners to gain expertise.



# Customer Education Is A Valuable Business Endeavor

Customer education is a rapidly growing field. In the past two years, organizations deploying customer education programs have increased their spending on these programs by over 80%, and they plan to more than double spending in the next two years.

So what is customer education and why are businesses increasing their spending on it? In this study, we define customer education as:

*Formal instructional programs, created by businesses, meant to educate customers on how to best utilize a company's products and services, both pre- and post-purchase, in order to promote greater customer success and satisfaction with their purchase.*

Our study found that 90% of companies have seen a positive return on their customer education investments, which makes it easy to understand why organizations are putting considerable effort into improving their customer education programs (see Figure 1).



“Investing in [customer education] shows that you care about the customer and their needs, and that you are addressing them.”

*Head of partner training and certification, advertising and technology*



**Figure 1: Customer Education ROI**

“What has your return on investment for your customer education/customer training program been thus far?”



Base: 300 customer education decision makers  
Note: Percentages do not total 100 because of rounding.  
Source: A commissioned study conducted by Forrester Consulting on behalf of Intellum, August 2019

90% of companies have seen a positive return on their customer education investments.

## CURRENT EDUCATION PROGRAMS HAVE ROOM TO GROW

While initial results have been positive, many customer education programs are still in early stages and can continue to expand.

- › **Education programs could be more formalized.** Over one-third of respondents surveyed do not have fully formalized programs at their companies (i.e., a dedicated customer education team or function). Over one in four respondents surveyed said their companies have somewhat formalized programs that are considered part of regular marketing activities, and 10% are completely ad hoc with their customer education efforts.
- › **Education programs have the potential to reach more customers.** Despite having customer education programs, many organizations are failing to reach a significant portion of their customer bases with their education efforts, leaving room to expand. Over a quarter (28%) of customers, on average, are not offered training, and nearly half (47%) have not utilized education offerings. Many companies may be satisfied with high utilization rates and the fact that they have been able to reach half of their customers with education efforts, not realizing that the ceiling is actually much higher if they're able to target their entire customer base. One director of enablement and engagement for a software company told us: "Having 50% of your customers complete their education paths is a pretty standard benchmark. Our training completion rates used to range from 8% to 20% across our software portfolio. We made significant content improvements and launched a new digital platform, and now our training completion rates are between 60% and 90% — it's exponentially better."
- › **Engaging customers beyond a basic level is a struggle.** Beyond simply the ratio of customers utilizing education, the depth of the customer education interactions is crucial. Only 13% are engaging in more formal or in-depth education courses. The majority are instead engaging in simpler, one-time education interactions.

# The Benefits Of Customer Education Are Significant

Investing in a customer education program can naturally lead to a broad range of business benefits. While the categories of benefits and the ways they are achieved will vary by organization, Forrester found that customer education can drive significant benefits whether trainees are employed by a large corporation or run their own business; whether they are end users, resellers, or businesses leveraging a platform; or whether the products are physical purchases or digital subscriptions.

The first indicator of customer education's success lies with engagement. Targeted education can drive user adoption of products, specific features, and new updates. As users gain greater knowledge, they are likely to engage with the products in more desirable ways for the business.

Respondents whose companies operate fully or partially formalized customer education programs report that their companies spend an average of \$780,000 per year on their efforts — and project to increase spending by 229% over the next two years. Demonstrating ROI is essential at this level of spending growth, with nothing more important than revenue growth. Customer education-driven revenue growth can come in many forms, as illustrated in Figure 2.

Beyond revenue, decision makers also cited benefits such as support cost savings, improved scalability, and increased customer satisfaction as important outcomes of their customer education programs. Figure 3 displays the level of impact identified by respondents with partially or fully formalized education programs on their key metrics.

Customer education significantly boosts key metrics, driving profound top-line business benefits.

“[Customer education] has a huge impact on the financial performance and health of the organization, and on your brand and reputation.”

*Director of enablement,  
software-as-a-service*



## Figure 2: Customer Education Can Impact Revenue In Many Ways

**Time-to-adoption.** Getting a customer to learn your product a month earlier can equal an additional month of sales from that user.

**Adoption & conversion.** Education can help convert prospects to customers or get first-time subscribers to try the service before they cancel the subscription.

**Customer spending.** As customers learn more about your products, they may begin to order more frequently, submit larger orders, or order additional products — increasing revenue and lifetime value.

**Retention.** Knowledgeable users will be more likely to remain long-term customers, while customers with low education engagement rates can be flagged as “at risk” for proactive remediation.

**Platform/marketplace sales.** Encourage businesses to sell more products on your platform by teaching best practices and reducing barriers or confusion.

**Reseller training.** Educating resellers ensures they understand the product and keep it top of mind — driving more sales from their business.

**Training revenue.** Paid training becomes an additional revenue source — but beware, as it could reduce utilization and stunt the growth of other revenue streams.

**Insights-driven product enhancement.** Learn what drives behavior and identify impediments by analyzing customer education and product usage data to improve products and drive long-term sales.

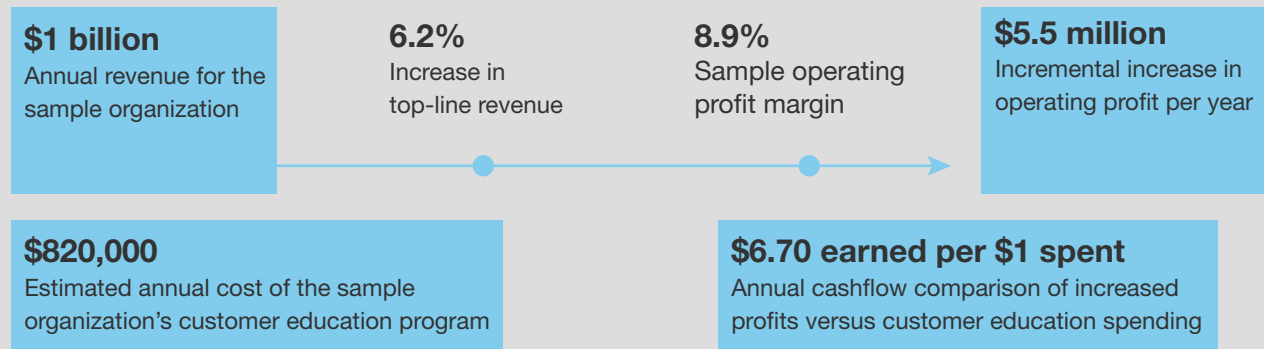
**Figure 3: Customer Education Moves The Needle For Key Metrics**

Implementing a fully or partially formalized customer education program significantly improved key top-line metrics for respondents. To evaluate the overall impact of these programs, Forrester combined each group’s risk-adjusted metric improvement per trainee with the percent of its customers who not only access but utilize educational materials multiple times. Even at this top-line view for the business, the average impacts are profound by any standard and corroborate respondents’ self-reported positive ROIs.

	Benefit per trainee	Top-line business impact
Increased revenue	18.3%	6.2%
Increased retention	21.8%	7.4%
Increased lifetime value	20.9%	7.1%
Increased customer satisfaction	34.3%	11.6%
Reduced support costs	17.9%	6.1%

**Impact For A Sample Organization**

To understand the scale of impact, consider a sample organization that earns \$1 billion in annual revenue and spends \$820,000 per year on its customer education program (.082% spending as a percent of total revenue). For an organization of this size, a 6.2% increase in top-line revenue would translate to \$62 million in additional revenue. At a typical operating margin of 8.9%, that’s over \$5.5 million in operating profits annually — meaning that for every dollar spent, the company earns \$6.70 on an annual cashflow basis.



# Successful Customer Education Programs Illuminate Best Practices

The success of a customer education program largely depends on an organization’s objectives and can be measured across many metrics. Forrester focused on four key outcomes in this study: revenue, customer retention, customer satisfaction, and support costs. Companies saw consistently positive outcomes in these metrics, yet with high variability.

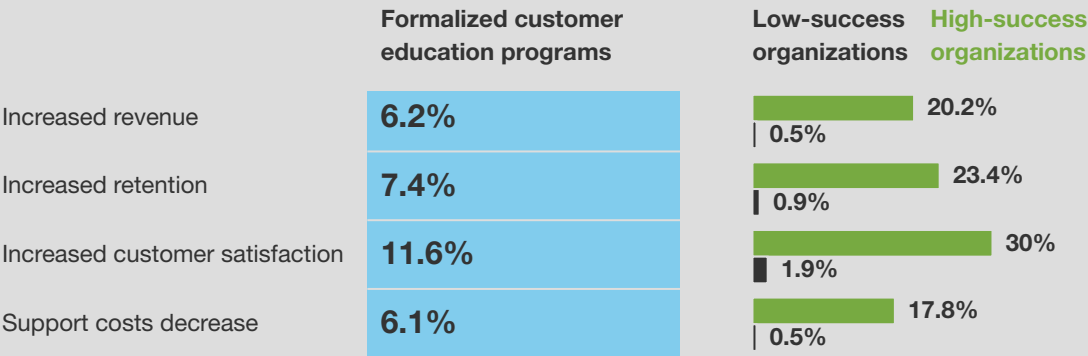
Forrester aggregated these metrics to form an overall success score for each company’s customer education efforts and broke the results into five groups.<sup>1</sup> For the sake of our analysis, we focused on a comparison between the highest- and lowest-performing groups. The results were staggering. Examining impact per trainee, the most successful organizations see a 40x higher increase in revenue, a 16x higher increase in customer satisfaction, and 36x greater reduction in support costs compared with the least successful organizations (see Figure 4).

High-success organizations achieve 52% greater education utilization rates and are 70% more likely to have a moderate to significantly positive ROI than low-success organizations. To better understand key drivers of success and to learn what it takes to create a highly successful customer education program, we took a closer look at the differences in approach of the highest- and lowest-success organizations.

Consistent behaviors enable organizations to surpass benchmarks by huge margins.

**Figure 4: Customer Education Delivers Significant Top-Line Benefits For All, While High-Success Organizations Set The Bar Sky-High**

Developing a customer education program drives significant top-line benefits for organizations, moving the needle even for low-success organizations. Yet the ceiling is much higher: High-success organizations drastically outperform both the overall average and low-success groups across all benefit categories.





## COMPANIES WITH SUCCESSFUL CUSTOMER EDUCATION PROGRAMS SPEND SMARTER, NOT JUST MORE

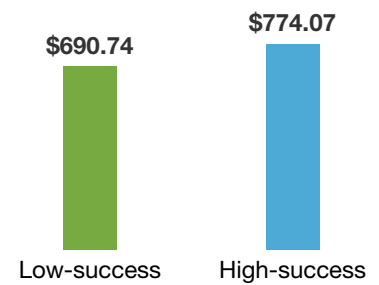
- › **Money is not a cure-all.** Surprisingly, differences in success do not simply come down to who is spending more on customer education. Despite seeing significantly better results than low-success orgs, high-success organizations only spend about 9% more on their customer education programs (see Figure 5).
- › **Investment goes further in high-success orgs.** Low-success organizations struggle to prioritize spending efficiently and therefore struggle to accomplish their goals with nearly the same amount of resources. Despite only spending 9% less on customer education, low-success organizations are nearly 4x more likely to say they lack resources to create customer education content.
- › **Successful firms take a strategic approach to customer education.** For high-success firms, creating an effective education program goes beyond just throwing whatever education content they're able to make at their customers. It is about building out a methodical strategic approach that can lead to well-defined business outcomes. High-success orgs are far more likely to have fully formalized (as opposed to ad hoc) education programs and are considerably more confident in their ability to track the impact of their education programs.

## SUCCESSFUL CUSTOMER EDUCATION PROGRAMS CREATE CONTENT THAT CUSTOMERS REALLY VALUE

- › **Put the customer's needs first and business needs second.** A key differentiator in highly successful customer education programs is the way that the organizations think about their program goals. While basic business goals like increasing sales and improving product adoption are top goals for all organizations, highly successful companies prioritize improving customer loyalty and post-purchase engagement just as much. Successful organizations realize that effective education starts with thinking about what will best provide real value to the customer and increases in revenue will come later.
- › **High-success orgs create content with customer value in mind.** The way in which high-success organizations think about their customers is reflected in the education content that they offer to them. This content goes beyond simple one-off education efforts like training brochures and videos and instead aims to provide in-depth education programs that provide real value to customers. High-success orgs are more than twice as likely to offer certification programs and nearly three times as many of their customers are utilizing in-depth education programs (23% vs 8%). As a result, they have considerably fewer issues when it comes to selling their customers on the value of customer education. Low-success firms are nearly twice as likely to struggle with lack of customer interest/demand.

Figure 5

### Customer Education Spending (In thousands)



Base: 300 customer education decision makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Intellum, August 2019

“Users do not like to be sold. So while we are looking for benefits to support and revenue, the main goal is always education. To do that, we have to emphasize that what we’re teaching them is how to best use these products, not the best way for us to make money off them. Even if sales wants us to build it that way, we have to put the user first — they have to trust what we’re telling them for it to be effective.”

*Knowledge platform manager, technology enterprise*



› **Successful customer education programs provide training materials in digestible, self-guided segments.** Customers lack the time and focus for overly long training commitments, so materials must be a manageable length, address specific needs, and be easy to find and consume. It also helps businesses better correlate specific components and associated behavior to track performance and uncover areas for improvement. Making the shift had massive benefits for one interviewee: “Taking the exact same information from longer courses and putting it in smaller modules yielded better results. We took a 90-minute course and broke it into 5- to 10-minute modules, which doubled the time customers spent consuming training and increased completion by 40%. Modular training gave users a sense of completion, allowed them to skip around, and let them consume it in bites between their other work.”

**SUCCESSFUL CUSTOMER EDUCATION PROGRAMS TAKE ADVANTAGE OF EXTERNAL EXPERTISE**

To be able to create in-depth and valuable education content without breaking the bank, high-success organizations have turned to agencies and dedicated customer education vendors for help. While the majority of both high- and low-success orgs utilize some in-house resources, 63% of high-success orgs also use dedicated third-party vendors and 35% use agency partners to support their education initiatives — compared with just 43% and 13% of low-success orgs, respectively (see Figure 6). Utilizing expertise from dedicated vendors for education content creation and distribution allows high-success orgs to provide content that customers truly value without straining internal resources. Low-success orgs, on the other hand, are more than twice as likely to report challenges with a lack of personnel to manage education resources.

Beyond the ability to deliver quality content at scale, bringing in a dedicated third-party customer education vendor is about bringing in expertise. Among those respondents whose organizations utilized a vendor, the top reasons for doing so were that 1) using a partner was faster, 2) they wanted an outside practice, and 3) they wanted access to best practices. This expertise is crucial to business success. Overall, 82% of respondents whose organizations used a dedicated third-party vendor said it was very important or crucial to realizing the current benefits of their education programs.

“Nobody has the time, interest, or money to sit in a week-long training class for anything anymore, and so we have to change our approach. We see our role as enablement and engagement: We provide the tools that enable our users to use the software we sell them and to keep them and their colleagues engaged with that software overtime.”

*Knowledge platform manager, technology enterprise*



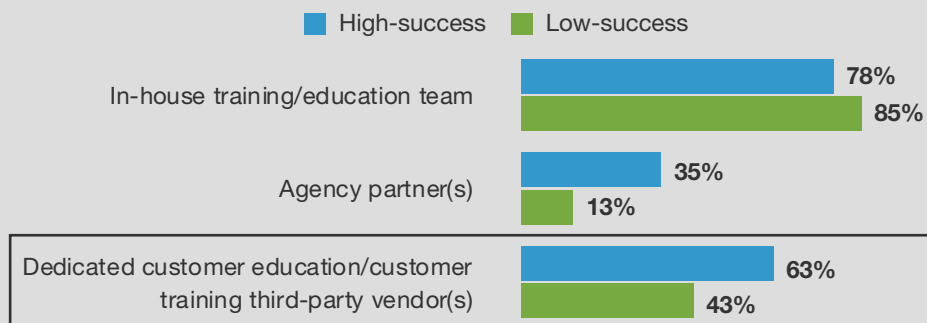
“You can have content that’s award-winning, but if users can’t get to the content, find what they want, enroll in it, digest it, or return to it — it doesn’t matter. It’s like having a beautiful suit in your closet, but if your closet is so poorly organized, you can’t find it to wear it. I can’t stress enough the importance of both your content and platform.”

*Director of enablement, software-as-a-service*



Figure 6

“Which of the following does your organization use to support its customer education/customer training initiatives?”



Base: 300 customer education decision makers  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Intellum, August 2019

# Key Recommendations

Customer education has tremendous potential to positively impact any business. However, building successful customer educational programs in today's busy world inundated with brands constantly competing for consumers' attention can be a challenge. Brands cannot get ahead by simply investing more in customer education, but instead they must take a strategic, deliberate approach to building content programs that resonate with a diverse set of customers and needs. Whether your company wants to increase revenue, increase customer retention, improve customer satisfaction, or decrease custom support cost, a well-planned customer education program can help deliver on those goals.

Based on an in-depth survey of customer education decision makers, Forrester recommends that companies take the following steps to build and/or improve their customer education programs:



**Put the customer first.** Take time to understand your customer's purchase journey and identify key pain points in both pre- and post-purchase activity. Make customer insights and meeting customer needs the foundation of your customer education strategy and programs.



**Create a formal education strategy for your business.** Companies with less formal, ad hoc education programs see substantially lower benefits from education efforts than those with formalized programs. Set clear goals for what you want to achieve with customer education and use that as a roadmap for developing and delivering educational content in a methodical way.



**Invest in the content, tools, and processes needed to execute your strategy.** With an education strategy in place, identify where gaps exist in your current capabilities for delivering on that strategy. Take steps to create or procure needed content for training, and ensure you have the proper tools and mechanisms for customers to access that content easily. For more formal education types (i.e., certification programs), make sure the engagement process for customers is as seamless as possible to keep them engaged and supported through completion of the program.

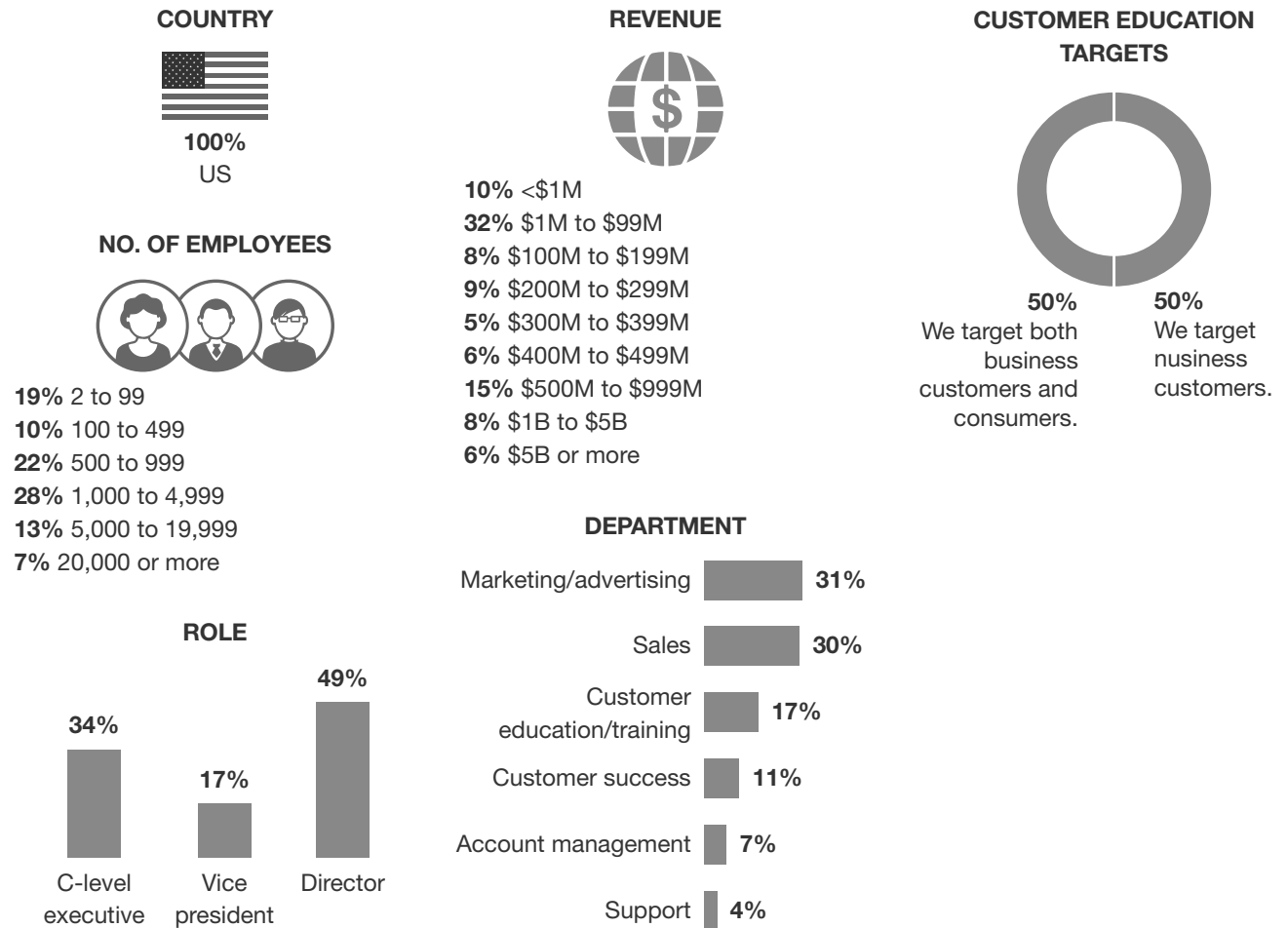


**Bring in expertise to support your program.** Creating a customer education program requires substantial effort and planning, but don't try to reinvent the wheel. There are several players in the education market that have the tools, and more importantly the expertise, to improve your education programs. Companies that are most successful with education programs use outside vendors to learn best practices and optimize their strategies and also benefit from using vendors as it puts less strain on internal employees supporting these programs.

# Appendix A: Methodology

In this study, Forrester interviewed three companies and conducted an online survey of 300 US-based customer education decision makers in to evaluate customer education use and success rates. Respondents were offered a small monetary incentive as a thank you for time spent on the survey. The study began in July 2019 and was completed in August 2019.

# Appendix B: Demographics/Data

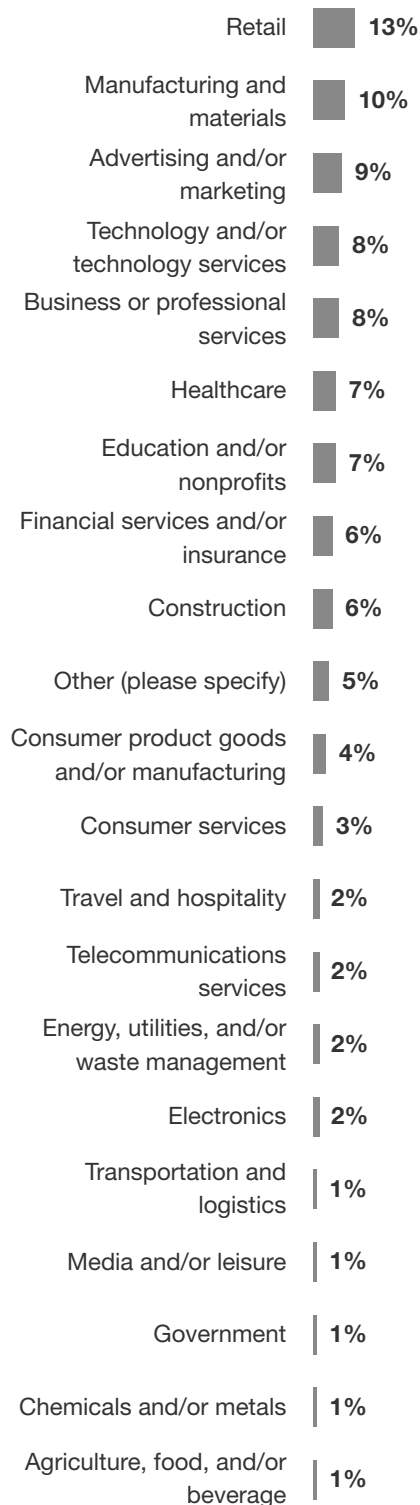


Base: 300 customer education decision makers  
 Note: Percentages may not total 100 because of rounding.  
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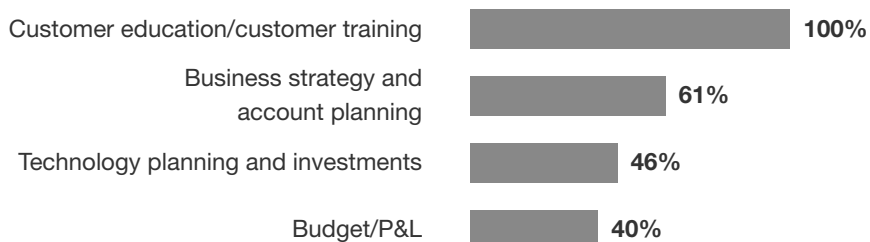
### INFLUENCE LEVEL



### INDUSTRY



### AREAS OF INVOLVEMENT



Base: 300 customer education decision makers

Note: Percentages may not total 100 because of rounding.

Source: A commissioned study conducted by Forrester Consulting on behalf of Intellum, August 2019

# Appendix C: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of initiatives to both senior management and other key business stakeholders.

## TOTAL ECONOMIC IMPACT APPROACH



**Benefits** represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.



**Costs** consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.



**Flexibility** represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.



**Risks** measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

## Appendix D: Calculation Methodology

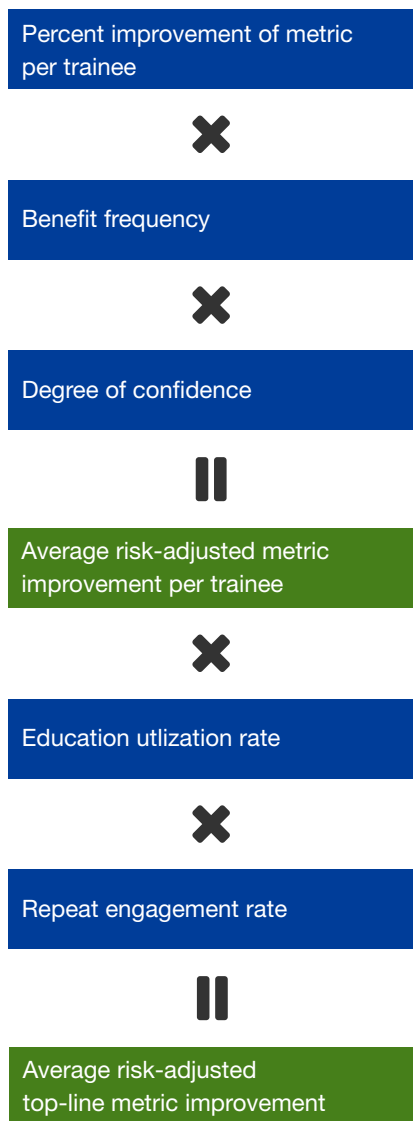
Forrester took a multistep approach to evaluate the benefits organizations may expect by implementing a customer education program. Rather than take reported improvements at face value, Forrester first evaluated the impact of customer education on key metrics per trainee using the following:

- › **Percent improvement per trainee.** The average percent improvement in a metric from customer education on a per-trainee level, as reported by survey respondents in each group.
- › **Benefit frequency.** The percent of each group’s respondents who reported achieving the benefit category as a result of their customer education program.
- › **Degree of confidence (risk adjustment).** The percent of respondents who were moderately or very confident in their ability to accurately track the impact of customer training on key metrics.

Understanding each benefit category’s improvement per trainee is extremely valuable, but it falls short of helping evaluate the overall return on investment for a customer education program. Organizations must look beyond per-trainee improvements to find the overall impact on the business — which depends on how many customers actually utilize the training. Forrester evaluated the top-line impact using the following:

- › **Education utilization rate.** The percent of the total customer base that has accessed the educational materials.
- › **Repeat engagement rate.** The percent of those customers who accessed educational materials who did so multiple times (either through multiple modules or a full certification course). While those who only use training once may still drive some additional value, the impact is unclear; Forrester excluded single-engagement trainees to ensure conservatism in top-line impacts.

The following sample calculation illustrates the risk-adjusted increase in revenue for the three groups analyzed in this study.



### Increased Revenue

REF.	METRIC	CALC.	ALL FORMAL PROGRAMS	LOW-SUCCESS	HIGH-SUCCESS
A1	Reported increase in revenue per trainee	Survey	26.3%	6.5%	51.5%
A2	Frequency of revenue increase	Survey	79.3%	48.1%	94.4%
A3	Increase in revenue per trainee	A1*A2	20.9%	3.1%	48.6%
A4	Degree of confidence (risk adjustment)	Survey	87.4%	66.7%	90.7%
A5	Risk-adjusted increase in revenue per trainee	A3*A4	18.3%	2.1%	44.1%
A6	Education utilization rate	Survey	55.0%	46.9%	71.1%
A7	Repeat engagement rate	Survey	61.5%	53.5%	64.4%
A8	Risk-adjusted increase in top-line revenue	A5*A6*A7	6.2%	0.5%	20.2%

## Appendix E: Endnotes

<sup>1</sup> Forrester created an aggregate score based on increases in retention and revenue and decreases in support costs. These scores were segmented into five equally sized groups.