UNIVERSITY OF JOHANNESBURG

FACULTY OF MANAGEMENT

EXAMINATION NOVEMBER 2016

DEPARTMENT OF MARKETING MANAGEMENT

MODULE	:	**CUSTOMER RELATIONSHIP MANAGEMENT**
CODE	:	**MMA08X8**
DATE	:	**NOVEMBER-SUPPLEMENTARY**
DURATION	:	**3 HOURS**
TOTAL MARKS	:	**100**

EXAMINER	:	**Prof M Roberts-Lombard**
(EXTERNAL) MODERATOR	:	**Dr E Stydom (VUT)**
NUMBER OF PAGES	:	**3**

INSTRUCTIONS TO CANDIDATES:

1. Read the case studies provided.
2. Read the questions carefully and answer only what is asked.
3. Please answer all the questions.
4. Question papers must be handed in.
5. **This is an open book assessment.**
6. Number your answers clearly.
7. Structure your answers by using appropriate headings and sub-headings.
8. Write neatly and legibly.
9. The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

READ THE CASE STUDY ATTACHED.

SECTION A

CASE STUDY (IBM ON CRM IN SOCIAL MEDIA PARTS 1 AND 2)

QUESTION 1 **[25]**

1.1 Critique customer service as a key element in the development of a relationship building strategy with customers. Your critique must be inclusive of both customer satisfaction and customer value. **(15)**

1.2 The use of social media is a personal decision and experience. Develop a brief guideline framework to empower organisational understanding of this phenomenon before changing from a CRM to a social CRM strategy. **(6)**

1.3 Consult on how relationships with customers can be managed more professionally and successfully. **(4)**

QUESTION 2 **[20]**

2.1 Critically discuss the elements of service delivery and service culture as key pillars in customer management under the following headings:

2.1.1 The development of a Code of Conduct guideline for the employees of an organisation of your choise that will enhance professional employee service delivery. **(10)**

2.1.2 The provision of FOUR guidelines to secure a supportive service culture. **(10)**

QUESTION 3

"The consideration of a social CRM approach can influence the management of stakeholder relationships". Critically discuss this statement. **(5)**

[50]

SECTION B

CASE STUDY (BAD CUSTOMER CARE RUINS TRUST)

QUESTION 1 **[25]**

Develop an Internal Marketing (IM) strategy for Hyundai. Your strategy document must clearly illustrate the following:

1.1 The need for an IM strategy at Hyundai. **(4)**

1.2. The objectives to be achieved through the IM strategy. **(6)**

1.3 Guidelines that will enhance a focus on the following aspects, namely the personal training and development of employees, the empowerment and participation of employees, the creation of supportive working relationships, ensuring a receptive organisational environment; and the continuous stimulation of internal communication. **(15)**

QUESTION 2 **[25]**

2.1 Critique why an understanding of Hyundai corporate culture is important before planning a CRM strategy. **(5)**

2.2 Provide a lateral partnership analysis of the stakeholders of the Hyundai group. Support your answer with a diagram. **(6)**

2.3 Critically analyse how the different service quality dimensions resulted in a negative service experience for Adele Hoskin. **(14)**

[50]

TOTAL: SECTION A (50) + SECTION B (50) = 100

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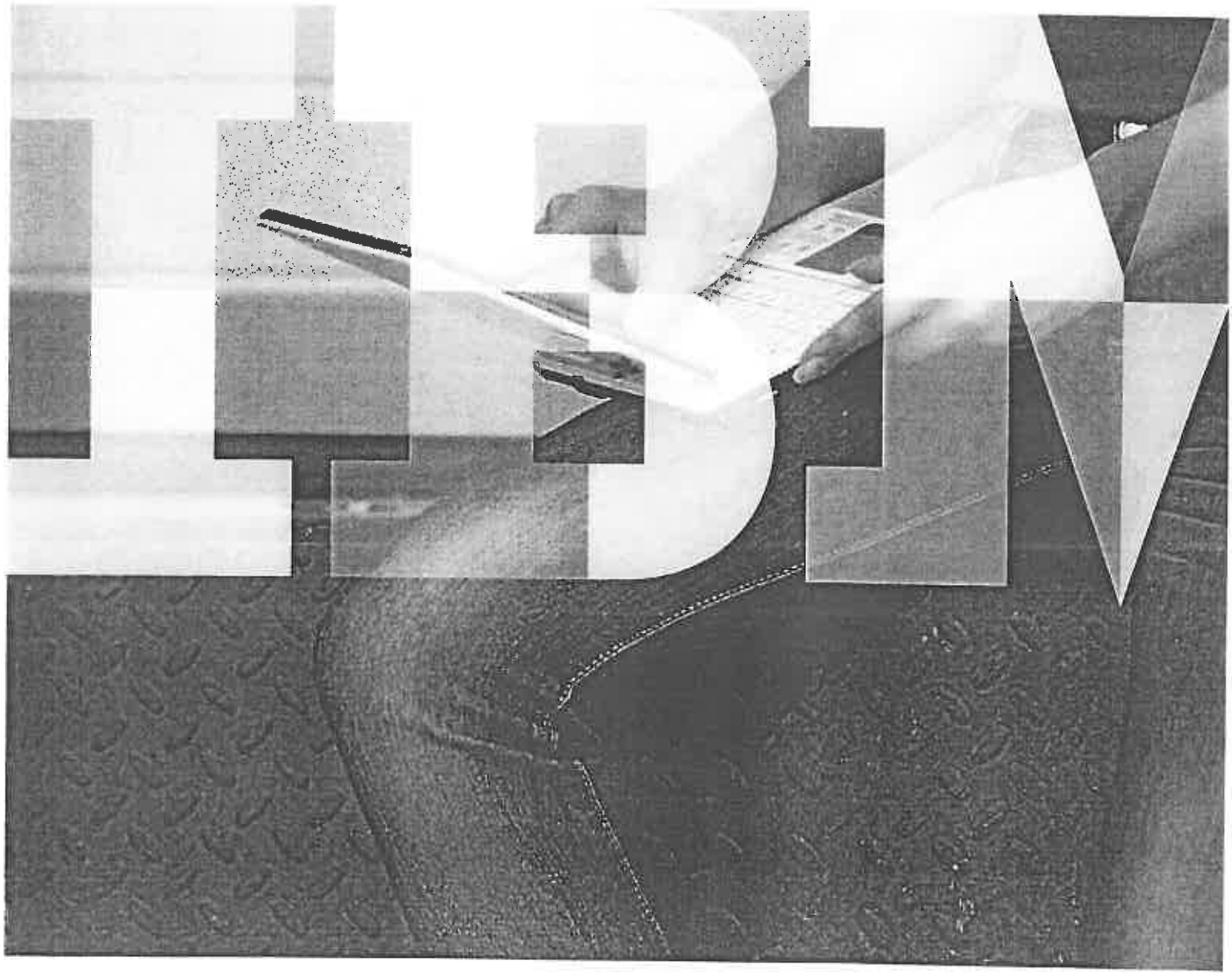
IBM Institute for Business Value

From social media to Social CRM

Reinventing the customer relationship
The second in a two-part series



IBM Institute for Business Value

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior executives around critical public and private sector issues. This executive report is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value.

You may contact the authors or send an e-mail to *iibv@us.ibm.com* for more information. Additional studies from the IBM Institute for Business Value can be found at *ibm.com/iibv*

By Carolyn Heller Baird and Gautam Parasnis

Welcome to the age of Social CRM, a different way of thinking about customer relationship management that focuses on using social media to enhance customer engagement. How prepared are companies to make this shift? Despite widespread adoption of social media, for most, Social CRM is still in its early stages, execution is patchy and concerns about ROI remain. To fully exploit the power of social media to connect with customers, organizations need to move beyond isolated projects to integrated programs and, ultimately, a Social CRM strategy.

According to the IBM 2010 CEO study, getting closer to customers is the overwhelming top priority for CEOs.[1] It's no wonder then that the pressure to exploit social media is so fierce. It is ideally suited for customer collaboration and offers opportunities for reach, access and immediacy that simply don't exist with other channels. By the end of 2010, nearly 80 percent of the companies we surveyed, anxious to interact with customers where they are congregating virtually, had a presence on a social networking site and were aggressively launching social media initiatives. But do companies have the strategies needed to make these efforts flourish?

As the next generation for customer relationship management, Social CRM is gaining momentum. Traditional CRM strategy focuses on management solutions for channels such as corporate Web sites, call centers, and brick and mortar locations. With Social CRM, these strategies now take into account the dynamics of the community-based environment that defines social media – an environment in which control of the relationship has shifted to the customer, who has the power to influence others in his or her social network.

To gauge companies' current Social CRM progression and their ability to provide the value customers seek in a social platform, the IBM Institute for Business Value conducted two online surveys. One went to 351 executives from functions where the responsibility for social media typically resides. The other was issued to more than 1,000 consumers to shed light on why they engage with businesses and how these interactions affect their feelings of brand loyalty (see Appendix for study methodology).

When we evaluated consumers' responses against those from executives, we uncovered some surprising perception gaps between the two groups. As highlighted in the first paper of this series, "From social media to Social CRM: What customers want," the search for tangible value – coupons, discounts, etc. – is what triggers most consumers to seek out a company via social media. Executives, on the other hand, say this is the least likely reason customers interact with them; and they significantly overestimate consumers' desire to engage so they can feel connected to the company or brand. Additionally, while 70 percent of businesses believe social media will increase customer advocacy, only 38 percent of consumers agree, suggesting businesses are more optimistic than perhaps they should be.[2]

Given customers' attitudes, companies have some work to do to provide the value customers seek and optimize the opportunities social media represents to their business. This requires a comprehensive strategy, as well as the operational structures to put the strategy into action. According to our survey, while the majority of companies have many elements of a social media program, progress toward an integrated Social CRM strategy is not linear, the challenges are deep and uncertainty abounds.

- *There's no turning back.* Feeling intense pressure to embrace social media, nearly two thirds of executives say it fundamentally is going to change the way they do business. As a result, their social media footprint has grown rapidly, but there is still much more companies can do to fully exploit the benefits social media offers.
- *Most companies have some elements of a social media program but struggle with integrated execution of an overarching Social CRM strategy.* Social media initiatives have sprouted up organically across the enterprise, but the key characteristics of a Social CRM strategy – executive sponsorship, integrated cross-functional governance, consolidated guidelines and policies, and sharing of customer insights to enhance innovation (from structured and unstructured data) – exist in varying degrees. Only about a third assertively report these elements are in place.
- *Social media challenges vary widely, but concern over ROI and mitigating risk top the list.* Sixty percent of companies attempt to track ROI to some degree, but there is no consensus on a standard approach. Applying analytics can help, but only about a third of executives believe they do it well. Despite fears of negative brand exposure, fewer than half monitor their brand, and only 53 percent offer social media training to employees.

It is noteworthy how quickly social media has become a priority for business. Companies are now grappling with managing the impact it can have on their engagement models, operations, corporate culture and bottom line. The message is clear. Social media is here to stay and using it to reinvent customer relationships will require companies to rethink their traditional CRM approach.

Businesses' expanding social media footprint

Companies aggressively have jumped on the social media bandwagon. Expectations are high, with two-thirds surveyed believing social media will transform business in the future. However, many companies, still in the early stages of social engagement, are not yet taking full advantage of the benefits social media offers.

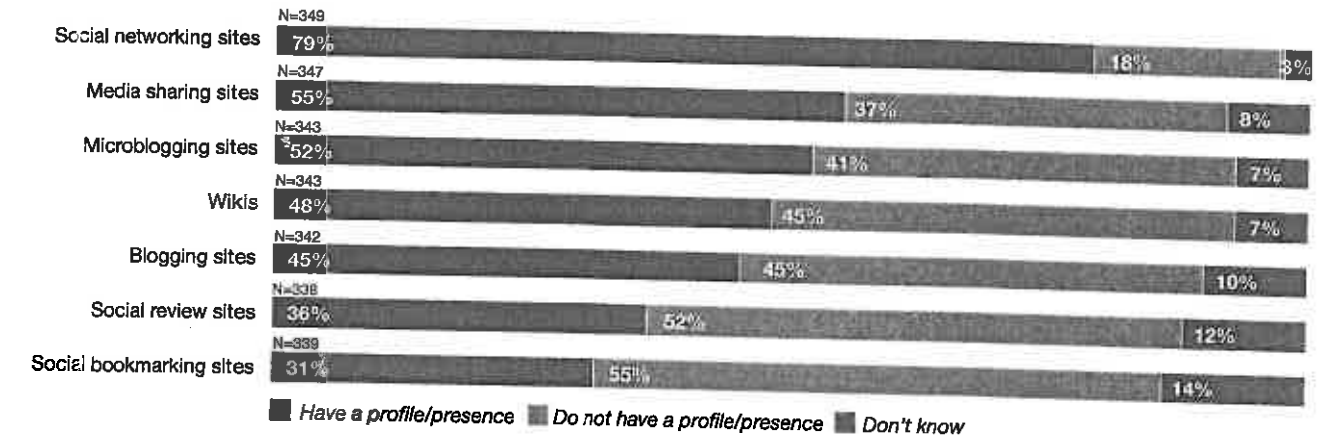
The velocity of social media adoption is astounding:

- As of May 2011, Facebook had more than 500 million active users, and the average user had 130 friends. Global penetration is deep, with more than 70 percent of users now residing outside the United States.[3]
- Also, by May 2011, LinkedIn had 85 million members representing 200 countries and 7 continents.[4]
- In March 2010, Twitter marked a milestone when the 10 billionth tweet was sent. By July, the number of tweets had doubled to an amazing 20 billion.[5]

Most companies that have enthusiastically embraced social media are now grappling with how to mange its impact.

Businesses want to be where their customers are, and executives are feeling significant pressure to get engaged and get it right. Social media has become a priority so quickly, nearly 70 percent say their companies will be perceived as "out of touch" if they aren't using it. Two thirds (67 percent) say they need a social media presence to attract top employees, and more than half (58 percent) believe their competition is successfully reaching customers through social sites. Clearly, social interaction has fundamentally changed expectations for communication and engagement.

Companies are mirroring consumers' stampede to social networking sites, such as Facebook, LinkedIn, Orkut and QQ. Seventy-nine percent of companies surveyed have accounts on these sites. More than half use media sharing sites, such as YouTube, Flickr and SlideShare, and microblogging sites, such as Twitter, Jaiku and Tumblr (see Figure 1). A small but notable percentage of executives weren't sure if their company had a profile on a specific site type. This suggests the use of social media isn't always a top-down directive, visible across the enterprise.



Note: Numbers rounded to equal 100 percent.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure 1: **Companies tend to use social networking sites more than other types of social sites.**

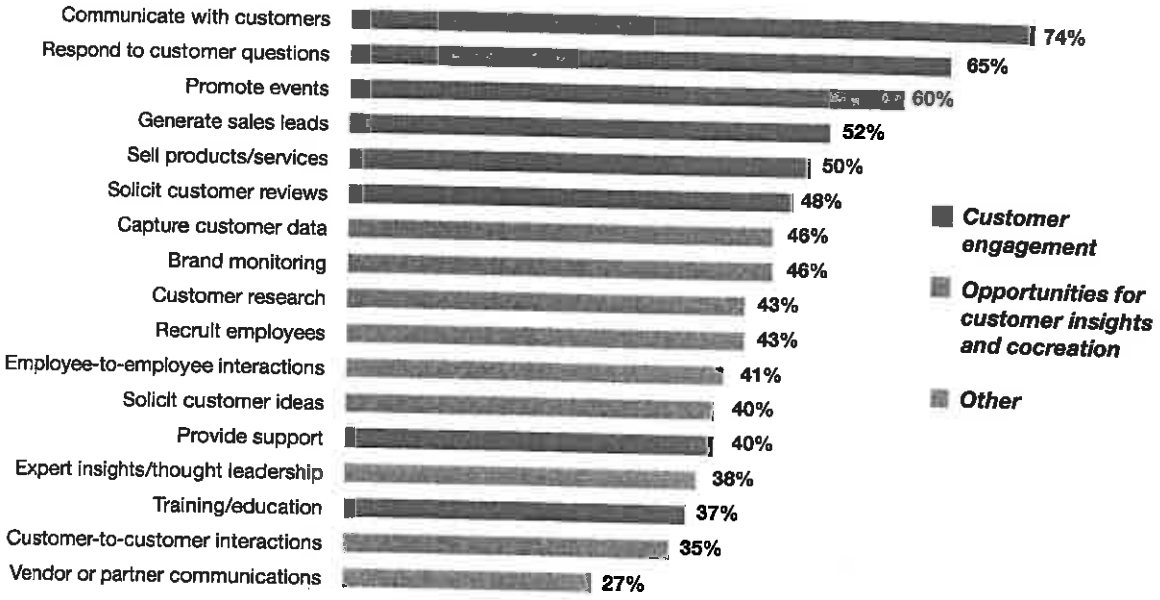
B2B catches up with B2C

Initially, business-to-business companies (B2B) were less aggressive in their adoption of social media than business-to-consumer (B2C) companies. However the gap is closing.[6] Our survey revealed 76 percent of B2B companies have an account on social networking sites, only four points behind B2C companies. For some social sites, such as wikis, where the focus is often on collaboration and promotion of subject matter expertise, B2B activity is equal to or slightly higher than B2C.

As of October 2010, a robust 74 percent of companies report using social media to communicate with customers. Sixty-five percent use it to respond to customer questions, and 60 percent are promoting events with social media (see Figure 2). These numbers are powerful indicators of the vigor with which businesses are embracing social media as a primary customer communication channel.

However, businesses are less inclined to use social media to capture customer insights, monitor the brand, conduct research, or solicit ideas for new products or services, despite these being some of the most fruitful opportunities for this

What is your company doing with social media today?



Notes: N=351. Not shown in figure: "I don't know" = 9 percent and "Others" = 2 percent.
Source: IBM Institute for Business Value analysis, CRM Study 2011.

Figure 2: Companies are using social media primarily for customer engagement.

channel. Data about customer perspectives, desires and habits can be captured very quickly and for far less cost than traditional methods. We believe our findings are indicative of the early evolution of social media strategies. With time, we anticipate more companies will increase the reach of their endeavors.

The strategy shift

While companies are making strides in establishing social media strategies, they are less certain about putting those strategies into action.

Traditional CRM strategies are not equipped to address this new social medium. They are designed to manage the customer relationship via traditional channels, usually from the company's perspective. A main goal of traditional CRM is to derive optimum value from the customer during the lifetime of the relationship. In today's environment, where the customer is in control, Social CRM strategy is emerging as an approach for managing the *dialogue*, not the *customer*. As Paul Greenberg, noted CRM guru, shared in *CRM at the Speed of Light*, "The underlying principle for Social CRM's success is very different from its predecessor....traditional CRM is based on an internal operational approach to manage customer relationships effectively. But Social CRM is based on the ability of a company to meet the personal agendas of [its] customers while, at the same time, meeting the objectives of [its] own business plan. It is aimed at customer *engagement* rather than customer management."[7]

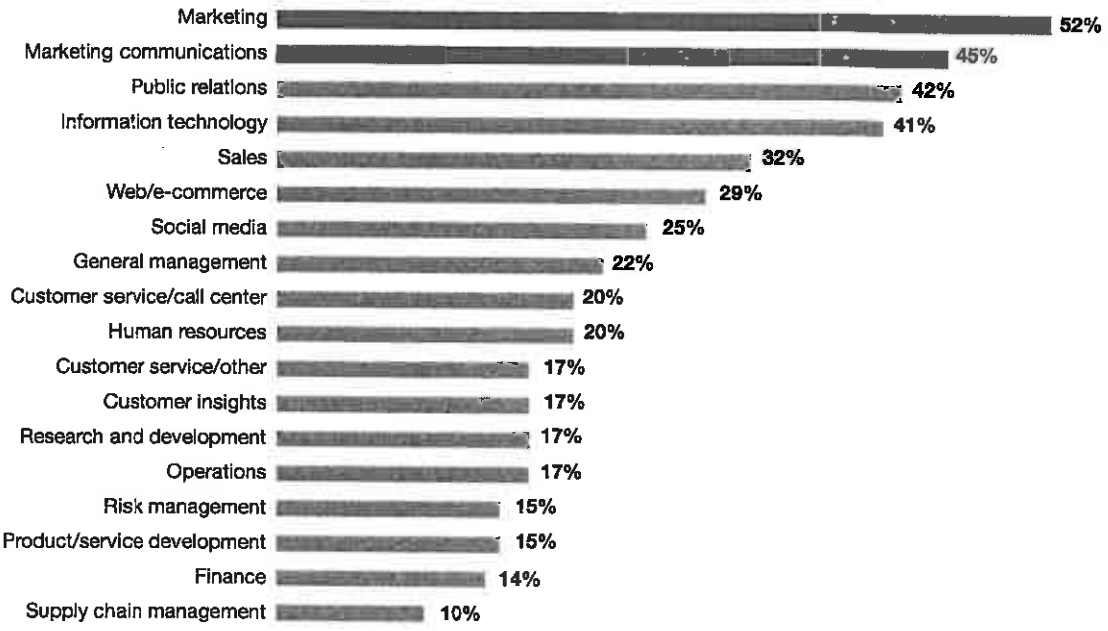
A social media strategy is not the same as a Social CRM strategy. Consider companies with siloed social media initiatives. Marketing may have established a Facebook presence where it posts company information and promotes campaigns to encourage customer interaction. Customer service may have representatives using social forums to answer customers' questions. At the same time, employees throughout the enterprise may be individually tweeting or blogging on topics that interest customers.

A social media strategy is not the same as a Social CRM strategy.

Collectively, these initiatives constitute the use of social media for customer communication. However, they fall short of composing a Social CRM strategy because there is no integrated, overarching strategic approach for engaging customers regardless of where they are in the value chain. Additionally, if a Social CRM strategy does not include a plan for governance, guidelines and shared insights, it will be extremely difficult to understand the holistic customer impact or fully optimize benefits to the business. Once a Social CRM strategy is established, organizations are in a much better position to determine the influence of their social activities within the context of the full lifecycle of customer touch points across traditional and nontraditional channels.

Just under a third of respondents confidently report their company has a strategy for the use of social media. Forty percent "somewhat agree" that a strategy is in place. And, with the concentration of social media activity currently focused on customer communication, it comes as no surprise that more than half say marketing is responsible for managing and implementing social media strategies. However, it is an eye opener that so many other functions across the enterprise are engaged in social activities with some degree of strategy to support their efforts. These varied strategies provide further evidence that many companies have a fragmented, decentralized approach toward social media development, with responsibility (and agendas) aligning to the function managing the activity (see Figure 3).

Which functions are responsible for managing and implementing a social media strategy?



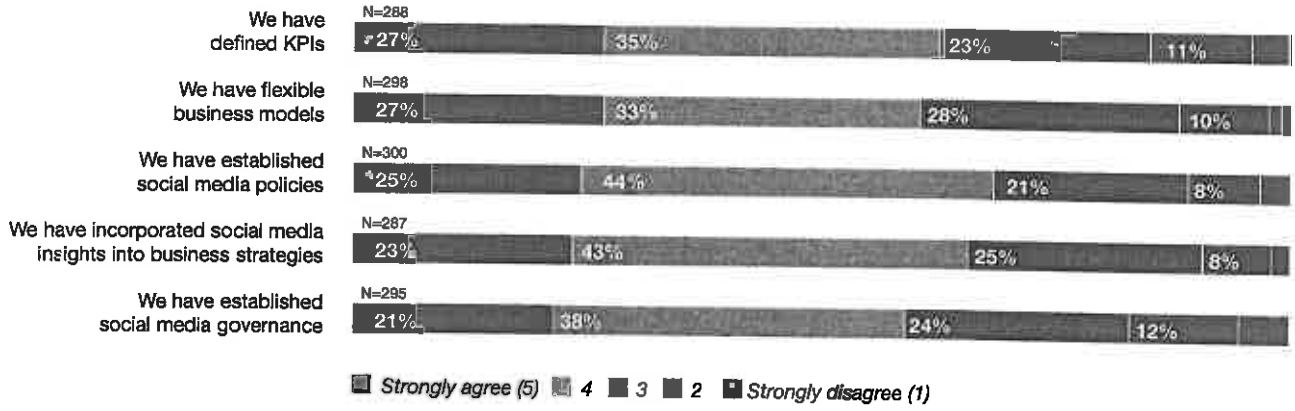
Notes: N=351. Not shown in figure: "I don't know" = 2 percent and "Others" = 1 percent.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure 3: **Typically, marketing is responsible for social media strategy, but strategies exist across the enterprise.**

Putting strategies into action is proving to be somewhat more challenging. Establishing governance models with engagement policies, key performance indicators (KPIs), metrics, shared insights, etc. is essentially what distinguishes the transformation from isolated social media projects to a consolidated, comprehensive Social CRM strategy. This is where the rubber hits the road and where companies appear less confident.

Only 25 percent are ardent about having defined social media policies. Forty-four percent "somewhat agree" policies are in place, and 21 percent are even less certain. Executives responded with similar results for defining KPIs for social media, having flexible business models to quickly exploit new opportunities, incorporating social media insights into business strategies and establishing social media governance programs (see Figure 4).

Agree or disagree? Percentage of responses



Note: Numbers do not total 100 because of rounding.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure 4: **Companies find the operational aspects of Social CRM more challenging to execute.**

These results are a reflection of the relatively short time companies have engaged in social media initiatives. We believe more will adopt a Social CRM approach as their programs mature and they make use of enabling technologies that integrate traditional customer data with data captured via social media.

In addition to operational changes, many organizations will need to address barriers generated by their corporate culture. Only 38 percent are confident their company endorses innovation and creativity, and just 30 percent say they have strong executive support for their social media initiatives. A mere 27 percent say they share insights across functions. Freedom to collaborate and experiment needs to be an executive mandate if Social CRM is to be successfully implemented.

The networked hive

Best Buy, a multinational retailer of technology and entertainment products and services, is a shining example of a company that has developed a strategic and operational model to facilitate thousands of employees throughout the enterprise to engage with customers via social media.

The program getting most of the media attention is Twelpforce, where customers use Twitter to send inquiries to Best Buy and thousands of employees – across all functions – are empowered to tweet a response if they know the answer. The company also maintains multiple community forums, blogs, an idea exchange and a Facebook presence. With so many employees engaging in so many social media initiatives, how does the company manage all these interactions?

Best Buy describes its governance model as a networked hive. Social media is viewed as a horizontal integration of initiatives, cutting across vertical functions throughout the enterprise. Governance is managed through a Center of Excellence model, with representatives from different programs participating. Corporate guidelines for social media engagement with customers are owned by the Communities Team within the Customer Support function, which also facilitates social media training for all employees. The results are powerful:

- US$5 million in call center deflection
- More than 100,000 social conversations annually
- Nearly 3,000 registered employees on Twelpforce
- Improved employee morale, better knowledge sharing and connections across the enterprise, corporate passion for social media innovation and significant brand buzz.

Best Buy's model can serve other companies, even those whose social media programs are less ambitious. This networked, integrated approach to governance – with program-level ownership of social media initiatives that use a common structure for collaboration, guidelines and training – is flexible enough to expand as use of social media spreads throughout the enterprise.

"Our model is like a hive. Each group manages its own initiatives, but we work under a common strategy. We are well integrated, well networked, and everyone is responsible for social media," said John Bernier, Product Manager-Connect, Best Buy.

The big fears: ROI and risk

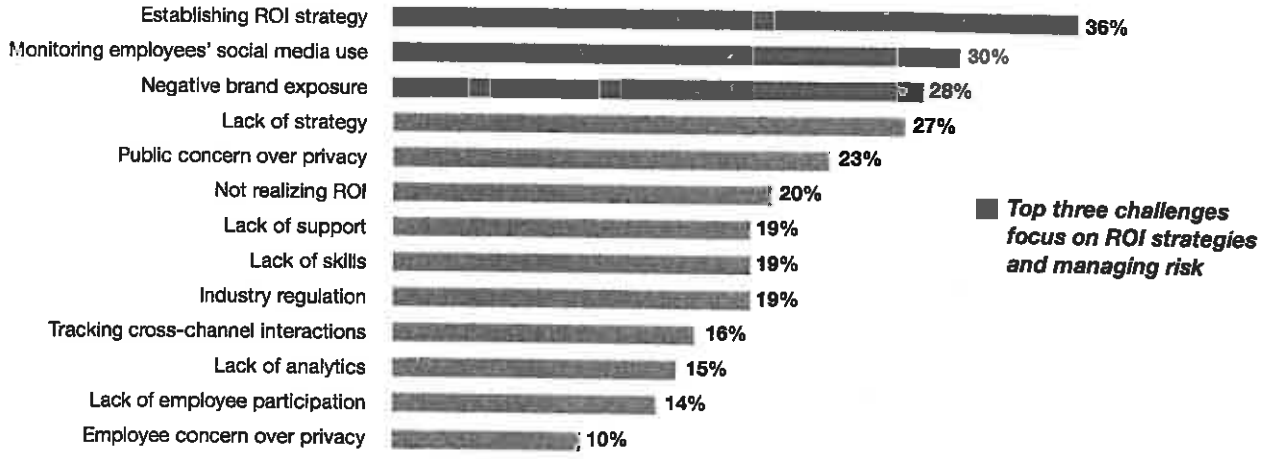
When we asked executives to rank their key social media challenges, establishing a return on investment (ROI) strategy and managing risk rose to the top. Other challenges range from privacy issues to lack of analytics.

Social media challenges

The complexity of implementing a social media strategy is evidenced by the wide variety of challenges executives identify as key concerns (see Figure 5). Companies' top challenges focus on establishing ROI strategies, monitoring employees' social media use and mitigating the risks associated with negative brand exposure. The absence of a social media strategy is also a significant concern. It is understandable that companies are experiencing these challenges, given they now need to:

- Determine if it makes fiscal sense to engage in social media
- Rally employees to use social media responsibly and convey the brand promise appropriately (in content and conduct)
- Contend with the social community now controlling the brand conversation and the potential for negative brand exposure.

Other challenges relating to privacy and government or industry regulations reflect the still emerging, transformative impact of social media and the many issues to be resolved by external forces beyond company control. In response, as companies establish their Social CRM footing, they need to develop localized policies for appropriately addressing these concerns.



Notes: N=351. Not shown in figure: "Other" = 3 percent.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure 5: **Companies' social media challenges are varied, with ROI and risk topping the list of concerns.**

The elusive ROI

When asked if their companies track a social media ROI, only 24 percent say they definitely do, and another 36 percent say they track it to some extent. But the rest are not convinced it is an imperative.

Establishing a social media ROI seems so elusive in part because there is little consensus about what to measure and the methodology to use. To better understand what companies are doing about social media ROI, we talked with managers responsible for social media initiatives. Their responses are as varied as our participants (see sidebar: Measuring ROI). The ROI consensus is that there is no consensus.

The disparity in approaches is symptomatic of the lack of a recognized ROI standard, which was also indicated when survey respondents ranked "establish an ROI strategy" as a key challenge. Interestingly, it is not the realization of an ROI that concerns executives so much as determining the right methodology for measuring the return.

Measuring ROI

Study participants had varying opinions on ROI, the best methodology to use and how accurately it can be measured:

"Social media is easier to measure than other areas of marketing because it's digital. For example, we can look at net acquisitions per platform, or we can measure the percent of those on the platforms who engage in order to measure whether we are providing the right level of content."
VP, Global Head of Digital Marketing and CRM, communications entertainment company

"There are plenty of different tools for measuring the likes of sentiment, page views and engagement levels. However, you don't always get sales off of it. Even with a traditional loyalty program, it can be difficult to measure the value."
Social Media and CRM Manager, passenger rail services company

"It's not impossible to measure ROI, but it is difficult to measure it accurately. Consider measuring the change and the velocity of the change. You may not be able to target the actual effect, but I think it can be done by just measuring the change of your results. We developed our own analysis tools and went from measuring hits to unique users, and now we measure in-depth engagement such as retweets, comments and postings on other sites."
Head of Social Media, multinational communications corporation

For those companies interested in demonstrating an ROI, analytics can help reveal the impact social media is having on their bottom line. A majority of survey respondents capture data and perform analytic tasks for social media to some degree. However, almost a third of respondents are unenthusiastic about the quality of their efforts to analyze, aggregate or disseminate information (see Figure 6).

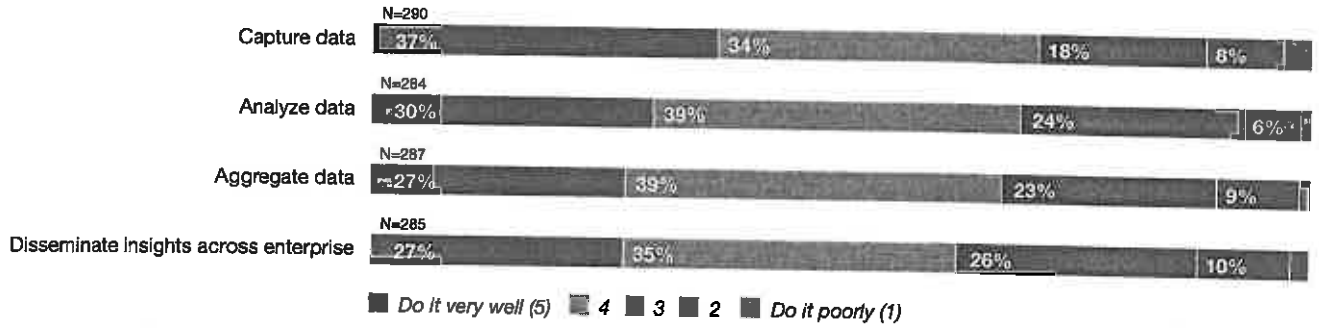
Connecting the dots

The trick to measuring a social media ROI with analytics is being able to connect the dots to better understand how social interactions influence conversion to sales or other desired outcomes. Seton Hall University discovered this and now has a proven ROI that has changed how it reaches out to prospective students.

Seton Hall's traditional methods to attract students were losing their effectiveness. In 2008, the incoming freshman class was smaller than targeted, resulting in revenue reduction and concern for the future if downward trends continued. The next year, Seton Hall used Facebook, Twitter and blogs to connect directly with prospective students, hoping to more strongly influence their college selection process.

Intuitively, the school's marketing organization believed social media was making a difference, but the numbers were not showing the connection. Facebook metrics provided fan growth information, but this wasn't enough to determine if the experience was impacting conversion. It was the quality of the conversation and the amount of interaction that mattered. So, Seton Hall implemented an impression attribution solution within Facebook – a combination of click-through and view-through analysis – to track whether social media interactions were influencing students to go to the university Web site and other touch points during the student admission/decision process.

How well does your company perform the following data capture and analytical tasks for social media?



Source: IBM Institute for Business Value analysis, CRM Study 2011.

Figure 6: **Companies use analytics to measure social media impact with varying levels of confidence.**

The school found social networks were far more effective than traditional channels at driving prospective students to its Web site. In fact, high levels of engagement with Facebook pages correlated with higher levels of Web site engagement. As a result, Seton Hall had its largest freshman class in 30 years, an 18 percent increase in net present revenue of US$29 million. By combining metrics from Facebook with impression attribution, the school was able to calculate its ROI and attribute this increase largely to its social media initiatives. Today, Seton Hall's social media program continues to grow, with Facebook emerging as the university's virtual communications hub for students and staff.

Seton Hall proves it is possible to measure ROI, particularly if an organization is willing to expand beyond standard evaluation measures.

"I wish we had anticipated more of the complexity for how things work and hadn't spent so much time looking at the standard evaluation measures, which told us the conversion wasn't great," said Rob Brosnan, Senior Director of Strategic Marketing, Public Relations and Marketing for Seton Hall. "But once we started using impression attribution and could see the patterns, I realized I was wrong. I had to challenge my own assumptions. I was thinking about social media as a channel, and I should have thought about it as a companion," he continued.

Assessing and mitigating risk

While the fear of negative brand exposure is a top concern for many companies, the fear of missing opportunities presented by social media is greater. Over half surveyed have completed a risk analysis (58 percent), but more than a quarter are neutral about their efforts and 16 percent say they haven't done much analysis. If companies are worried about social media's impact on their brand, why aren't they doing more?

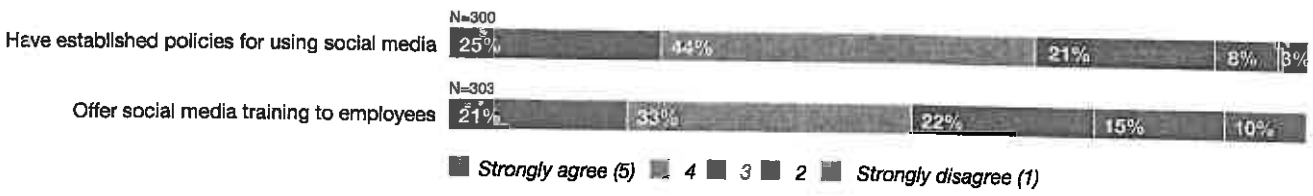
We believe it is the fear of not being engaged *right now* that is driving companies to jump into social media initiatives without having fully assessed the potential for risk. The gravitational pull to be "where customers are," the constant media drumbeat about social media innovation and exploding adoption levels add fuel to the fire. With so much potential gain, companies believe engaging is simply what they need to do to stay relevant and competitive and that the biggest risk is failing to ride the social media wave.

Nevertheless, companies should increase their efforts to mitigate the risk of negative brand exposure. Fewer than half say they monitor their brand using social media, and only 39 percent are working with brand monitoring software vendors today. Ignoring brand monitoring is a missed opportunity on two fronts. First, reputation analysis software can be used defensively, giving companies early awareness of potential negative exposures so they can quickly respond to possible threats. Second, analytics can also be employed as an offensive strategy to track a digital trail. Even companies not yet using social media to actively engage customers could be listening to the social chatter to better understand the perception of their brand and determine how best to add customer value.

Related to these concerns is the challenge of effectively monitoring employees' use of social media. There is the obvious fear of an inadvertent employee gaff or intentional viral sabotage. But companies also worry about controlling employees' daily use of social media. The answer is they can't control it, any more than they can control every phone conversation or e-mail. However, one of the best ways companies can reduce the risk of misuse is to develop corporate guidelines for social media and consistently train and empower employees to make informed decisions that are in line with company values and the brand promise.

Yet, many companies are slow to put these measures in place. Only 25 percent of executives enthusiastically state their companies have established policies, while 44 percent say they do to some degree. As for social media training, only 21 percent assertively confirm their company offers it (see Figure 7).

Agree or disagree? Percentage of responses



Note: Numbers do not total 100 because of rounding.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure 7: Only about a quarter of companies confidently assert they have social media policies and training.

This lack of training represents one of the biggest gaps in many businesses' current social media programs, especially since a third of executives aren't confident their company has the necessary social media skills to interact with customers. The need for trained communicators, savvy about social engagement, will intensify. Indeed, two thirds of executives anticipate the number of employees using social media in their jobs will increase over the next two years.

Empowering employees

Empowering employees to be the voice of the company may require a corporate culture shift for organizations used to traditional, top-down, controlled communications. Companies can migrate to this new approach by establishing internal social media pilots. Not only does this provide a risk-free zone where employees can become fluent in social media tools, practices and expression, it also can offer the company a vehicle for capturing fresh, innovative concepts for improvements.

American Express has done just that with its internal social media initiative, simply titled "If..." Like many large organizations, American Express has formal processes for idea generation, yet the company's leadership knew a pent-up supply of creativity and ingenuity still remained. American Express wanted to tap "the wisdom of the crowds" to harness exciting new ideas that all employees could access and evaluate – something that wasn't possible through traditional processes.

Managed by American Express's Growth & Innovation team, the program encourages employees to openly submit ideas for a variety of strategically important challenges. People post profiles, comment on each other's concepts and vote for the ones they like best. Subject matter experts evaluate the winning ideas to help ensure viability, all transparently on the site.

Social media guidelines and training for employees can help mitigate risks associated with social media misuse.

Within the last two years, as many as seven products that germinated through this social channel have been brought to market with a very positive overall ROI. In fact, because the cost of the program is so small compared to traditional methods, American Express believes it would be difficult not to realize a favorable ROI, assuming the ideas are good ones. Plans are now in place to open the program to the public as a way to engage customers in the cocreation of further innovation.

The stewards of the program believe it has played a key role in helping reshape the corporate culture and position American Express as an innovator in the social space. "This is what social networking is supposed to be – a tool to empower people. Anyone with a good idea can participate, and we all win when that happens, especially when those ideas come to life as real products or services," said Steven Faktor, Vice President, Business Growth & Innovation, American Express.

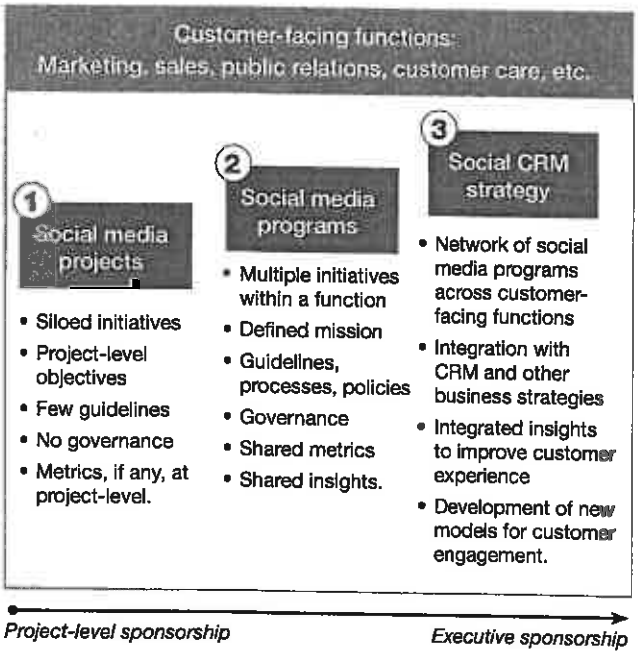
Recommendations and next steps

Companies are building foundations for social media strategies, but Social CRM strategies are not yet fully realized. The operational components are somewhat more challenging and addressing them will bring the next level of social media maturity for many companies.

If companies want to unlock the potential of social media to reinvent their customer relationships, they need to think about CRM in a new light while building a strategic and operational framework that provides both structure and flexibility. Figure 8 illustrates how companies can progress from 1) isolated social media projects to 2) social media programs that encompass multiple initiatives within a function to 3) a full-blown Social CRM strategy.

Social media programs often have a defined mission, set of guidelines, and some degree of analytics, governance and executive endorsement. A Social CRM strategy takes social media programs a step further, moving beyond the domain of a single function, such as marketing, to implement a cross-functional network of integrated communities with customer-facing responsibilities, such as customer care and sales. This integrated approach treats the customer holistically and facilitates sharing customer insights derived from unstructured data captured through multiple social touch points, as well as structured data from traditional channels. These insights enable companies to improve the customer experience and can result in the development of innovative new models for customer engagement.

From social media projects to Social CRM strategy



Source: IBM Institute for Business Value.

Figure 8: **Progression from social media projects to a Social CRM strategy.**

However, the progression from one stage to the next is neither tidy nor linear. As our research indicates, social media programs can have a mixture of qualities that suggest they are in one stage or another, but the lines of demarcation are not always clear. For example, one company interviewed had all the trappings of a social media program, but lacked executive sponsorship. Another had an interconnected cross-functional community of social media initiatives, but lacked defined KPIs.

To help with the transition to a Social CRM approach, companies can:

- *Blur the lines between marketing and customer care.* Social media initiatives originating in marketing and customer care functions need to be aligned better to support the customer holistically. Whether customers engage with a company to respond to promotions or seek information and support, they expect an authenticity that delivers the brand promise. Only 20 percent of businesses have a social media strategy for their call centers. We believe that percentage will grow substantially as companies use social media to:
  - Significantly reduce costs due to call deflection
  - Increase sales due to product or service recommendations
  - Increase customer loyalty due to the dependability of quality service that customers trust
  - Increase marketshare due to brand differentiation of service value.
- *Think global; act local.* Build a Center of Excellence governance model for Social CRM – a networked community with representatives from customer-facing functions. Collaboratively develop customer engagement strategies and share ideas that enable individual functions to leverage proven methods with the freedom to innovate. Develop a common set of measurements, tools, policies and usage guidelines. Use your company's business conduct guidelines and corporate values as a foundation. You can also leverage other companies' social media guidelines, many of which are publicly available, including those from IBM.[8]
- *Empower employees with training, mentorship and incentives.* Employ the Center of Excellence to develop and facilitate training for varying levels of social media expertise, but make sure all employees using social media receive training on guidelines, policies, customer communications practices, and processes for mitigating risk and escalating concerns. Augment training by pairing novices with mentors. Provide incentives for employees to enhance customer value, and tap employees for their wealth of collective insights on customer and marketplace trends.
- *Walk the talk.* Building virtual communities is what social media is all about. Establish communication and collaboration tools internally to make it easy for employees to connect, and facilitate cross-pollination of ideas and knowledge to help break down organizational silos. These internal social media platforms also provide novices with a safe training environment and serve as fertile ground to pilot and fine-tune new initiatives before launching publicly.
- *Improve ROI and mitigate risk with customer analytics and insights.* A distinguishing feature, indeed a cornerstone of Social CRM, is the practice of continually capturing and analyzing customer data from social interactions to develop viable insights that can help reduce risk and improve all aspects of the customer relationship. From basic sentiment analysis to more sophisticated predictive modeling, companies can employ a continuous loop of Listen-Analyze-Engage-Evolve.

We are very committed to transparency and authenticity of brand voice – the employee is the voice of Best Buy. We are passionate about that."

Gina Debogovich, Senior Manager, Communities, Best Buy

Conclusion

The majority of companies believe social media's potential to reinvent customer relationships is so promising that they are aggressively forging ahead with initiatives, despite concerns about ROI, negative brand exposure, or the lack of new strategies and support frameworks.

This gold-rush mentality to stake a virtual claim in the blogosphere has resulted in the launch of social media programs that now need to be evaluated for their overall value to the customer. Understanding why customers want to engage with a company via social media is the first step toward building the value proposition for a Social CRM strategy.[9]

Based on that insight, companies need to audit the full spectrum of their customer-facing social media initiatives. Many of these have sprung up as independent programs and may require collaboration and coordination across functions to fully assess their impact. Companies then will be better prepared to align these programs under an overarching, integrated Social CRM strategy that defines how to facilitate the social engagements customers value and those that also benefit the business through enhanced revenue and/or efficiencies.

The implications for business are significant. The shift to Social CRM is more than an adoption of new operational models or technologies; it is a philosophical, cultural shift. Social CRM is a strategy for stewardship of the customer relationship, not management. This transition is still in the early stages for many who are experiencing the growing pains of rapid change. The sooner companies embrace this fundamental precept – that the customer is now in control of the relationship – the sooner they can exploit this shift and unlock the full potential social media holds.

To learn more about this IBM Institute for Business Value study, please contact us at iibv@us.ibm.com. For a full catalog of our research, visit **ibm.com/iibv**.

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Baird, Carolyn Heller and Gautam Parasnis. "From social media to Social CRM: What customers want." IBM Institute for Business Value. February 2011. http://public.dhe.ibm.com/common/ssi/ecm/en/gbe03391usen/GBE03391USEN.PDF

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Appendix: Study methodology

In October 2010, we conducted two online surveys, one for business executives and another targeted at consumers. The findings in this paper are based primarily on the business survey that went to 351 executives in the United States, the United Kingdom, France, Germany, India, China, Australia and Brazil, representing the following sectors: Distribution, Communications, Financial Services, Industrial, and Public Sector/Healthcare.

In addition, to capture qualitative data from executives responsible for social media programs, we conducted 17 interviews in the United States and the United Kingdom. In partnership with Oxford Economics, we also established a Social CRM blog to solicit feedback on Social CRM topics from social media and CRM specialists.

We also conducted a consumer survey of 1,056 respondents in the same countries, as well as Canada. Participants represented a distribution of ages among Generation Y, Generation X and Baby Boomers, with annual household incomes of US$25,000 to more than US$100,000.[10]

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10 We define Generation Y as those born between 1975 and 1992, Generation X as those born between 1965 and 1974 and Baby Boomers as those born in or before 1964 .

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IBM Global Business Services
Executive Report

IBM Institute for Business Value

From social media to Social CRM

What customers want
The first in a two-part series

IBM Institute for Business Value

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By Carolyn Heller Baird and Gautam Parasnis

Getting closer to customers is a top priority for CEOs, according to the IBM 2010 CEO Study.[1] Today's businesses are fervently building social media programs to do just this. But are customers as enthusiastic? Actually, most do not engage with companies via social media simply to feel connected. It turns out, customers are far more pragmatic. To successfully exploit the potential of social media, companies need to design experiences that deliver tangible value in return for customers' time, attention, endorsement and data.

With the worldwide explosion of social media usage, businesses are feeling extreme pressure to be where their customers are. Today, this hub of customer activity is increasingly virtual, located inside a social media or social networking site. But in an environment defined by customer control and two-way dialogue, are customers and businesses in sync with each other's expectations?

Consider the speed at which social media is being adopted by consumers and businesses alike. 2010 saw staggering numbers. There were more than 500 million active users on Facebook, 70 percent outside the United States.[2] By March 2010, more than 10 billion messages, or Tweets, had been sent through Twitter since its launch in 2006. By July, that number had doubled to 20 billion.[3] And in the Asia-Pacific region, 50 percent of the total online population visited a social networking site in February 2010, reaching a total of 240.3 million visitors.[4]

Clearly, this is where customers are congregating and businesses want to be. Social media holds enormous potential for companies to get closer to customers and, by doing so, facilitate increased revenue, cost reduction and efficiencies. As might be expected, our findings indicate social media initiatives are quickly springing up across organizations.

However, using social media as a channel for customer engagement raises interesting challenges for traditional CRM approaches. CRM strategy, enabled by processes and technologies, is architected to manage customer relationships as a means for extracting the greatest value from customers over the lifetime of the relationship. These strategies typically concentrate on the operational responses required to manage the customer. With social media, though, companies are no longer in control of the relationship. Instead, customers (and their highly influential virtual networks) are now driving the conversation, which can trump a company's marketing, sales and service efforts with unprecedented immediacy and reach.

Companies need to embrace this shift with a new strategy – *Social CRM*, which recognizes that instead of managing customers, the role of the business is to facilitate collaborative experiences and dialogue that customers value.

Understanding what customers value, especially when they are in the unique environment of a social platform, is a critical first step toward building a Social CRM strategy. What triggers a customer to seek out a company or brand via social media? What would make a customer reluctant to interact? And does social engagement influence customers' feelings of loyalty toward a company as businesses hope it does?

To find out, the IBM Institute for Business Value surveyed more than 1,000 consumers worldwide to understand who is using social media, what sites they frequent and what drives them to engage with companies. We also asked 350 executives to tell us why they think customers are interacting with their organizations (see sidebar: Study methodology). What we discovered may come as a surprise to those companies that assume consumers are seeking them out to feel connected to their brand. In fact, consumers are far more interested in obtaining tangible value, suggesting businesses may be confusing their own desire for customer intimacy with consumers' motivations for engaging.

Our research shows that consumers have strong opinions about their social media interactions and, despite their embrace of social media, their willingness to engage with companies should not be assumed or taken for granted:

- *Consumers all over the world, across all generations, are swarming to social media, but most interact only occasionally.* Despite the astounding escalation of social media adoption, only a very small percentage of consumers engages regularly by responding to posts and authoring their own content.
- *It's about friends and family – not brands.* More than half of consumers don't even consider engaging with businesses via social sites. For them, social media and social networking are about personal connections with friends and family.
- *Perception versus reality – what consumers really want.* We discovered significant gaps between what businesses think consumers care about and what consumers say they want from their social media interactions with companies. In exchange for their time, endorsement and personal data, consumers expect something tangible. But businesses rank getting discounts and purchasing as the least likely reasons consumers interact with them.
- *The advocacy paradox – Is it the chicken or the egg?* Most businesses believe social media will increase advocacy, but only 38 percent of consumers agree, and more than 60 percent believe passion for a business or brand is a prerequisite for social media engagement. Companies need to find creative ways to tap the power of the trusted social community.

What are the implications for companies? We believe they have their work cut out for them. Even for customer-focused organizations, the introduction of social media presents one of the most disruptive forces facing businesses today. Our findings indicate companies are establishing the foundations of Social CRM but, as could be expected, they are experiencing the growing pains of change and uncertainty.[5] In their rush to join the fray, businesses need to stay laser focused on customer value to avoid falling into the perception gaps we've uncovered.

Obtaining tangible value is the top reason most consumers seek out businesses via social sites.

Study methodology

In October 2010, we conducted two online surveys:

The first was completed by 1,056 consumers in the United States, Canada, the United Kingdom, France, Germany, India, China, Australia and Brazil. Participants represented a distribution of ages among Generation Y, Generation X and Baby Boomers, with annual household incomes from US$25,000 to more than US$100,000.[6]

The second survey went to 351 business executives in the same countries (except Canada). Executives represented companies from the following sectors: Distribution, Communications, Financial Services, Industrial and Public Sector/Healthcare. In addition, to capture qualitative data from executives responsible for social media programs, we conducted 17 interviews in the United States and the United Kingdom. In partnership with Oxford Economics, we also established a Social CRM blog to solicit feedback on Social CRM topics from social media and CRM specialists and other interested individuals.

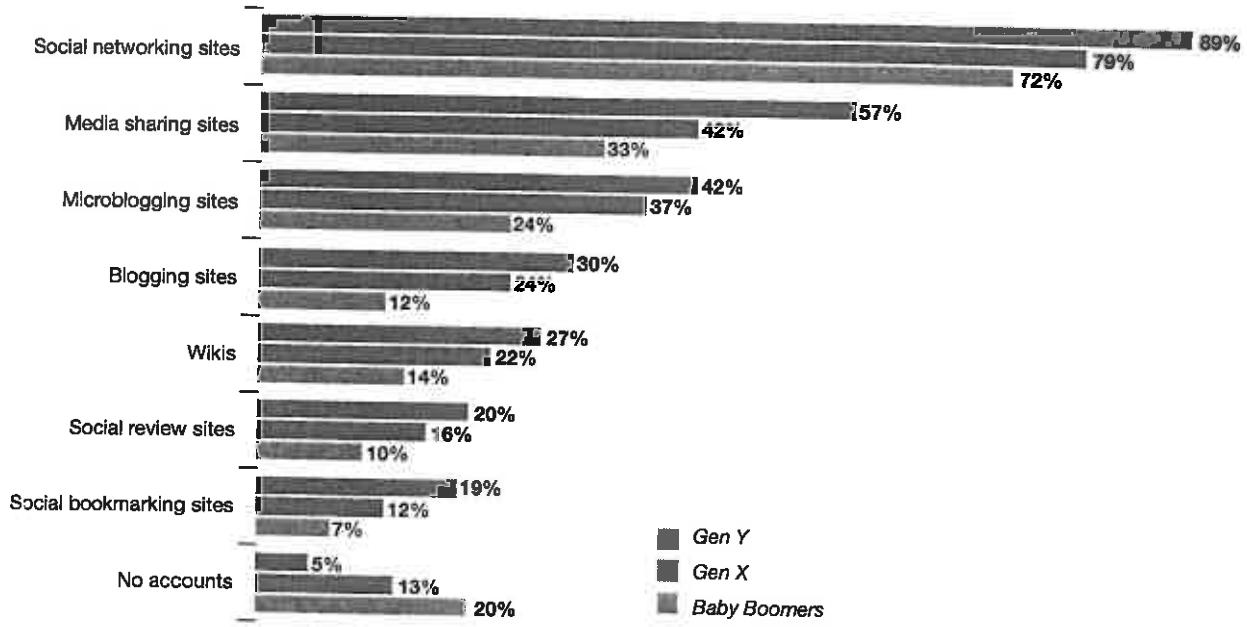
Social media surge

Nearly 80 percent of the online consumers we surveyed have at least one account on a social networking site where they can quickly and easily connect with people. Almost half have accounts on media-sharing sites where they can access or upload photos, videos and other types of media. But only a fraction of consumers, a mere 5 percent, consistently take the time and effort to regularly respond to others' comments or post original content.

Social media is ultimately about interacting with others with an expectation of getting something in return. Even if that "something" is intangible, such as a feeling of connectedness or affection, participants are actively, purposefully seeking value. For businesses, the challenge is unlocking what their customers care about and creating social media experiences that deliver that value. But first, companies need to understand the dynamics of consumer growth and activity on social sites and take stock of consumer attitudes and the triggers that compel them to seek out a company in the first place.

So, who is embracing social media and which sites are they using? As expected, Generation Y still accounts for the lion's share of activity, but Generation X isn't far behind and Baby Boomers are quickly catching up, particularly in the use of social networking sites, such as Facebook, LinkedIn, Orkut, and QQ. Baby Boomers have demonstrated the most growth in terms of numbers using such sites. In 2009, 50 percent of Baby Boomers were using social networking sites.[7] Based on our survey, that number had swelled to 72 percent by 2010. However, Baby Boomers' use of other types of social sites is far less aggressive, and 20 percent do not have accounts on any social site, a much higher level of inactivity than Generation X or Y (see Figure 1).

Percentage of consumers with accounts on social sites



Notes: 1) Sample size N=1056. 2) Generation Y: People born between 1975 and 1992 (18 to 35 year olds); Generation X: People born between 1965 and 1974 (36 to 45 year olds); Baby Boomers: People born in or before 1964 (46 years olds and older).
Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure 1: **Who is using social media?**

Baby Boomers are not alone in their love of social networking. These sites are by far the most popular for Generations X and Y as well. Media sharing sites (e.g., YouTube, Flickr and SlideShare) rank second in popularity, but the number of accounts drops significantly. Generation Y still leads the pack at 57 percent, but fewer than half of Generation X has an account on these sites, and only a third of Baby Boomers do.

Microblogging, e.g., "tweeting," comes in third and is used mostly by Generation X and Y, with far less activity by Baby Boomers. People have even fewer accounts on the remaining types of social sites, such as blogs, wikis, social reviews and social bookmarking sites.[8]

People are flocking to sites where their circles of influence reside. They are joining networking sites such as Facebook because this is where the conversations are taking place. In contrast, consumers are much less inclined to have accounts on more niche sites, such as those dedicated to authoring blogs or writing restaurants reviews. However, the picture is somewhat different in emerging markets, where blogging and micoblogging tend to be more popular (see sidebar: Trends in emerging markets).

Trends in emerging markets

In emerging markets, particularly in China, online users report a larger proportion of social media accounts are devoted to microblogging (75 percent) and blogging (66 percent) than in other countries. In Asia, people blog to stay connected to friends and family; consequently, a blog's range of influence tends to be relatively small, typically less than 11 people. In Western countries, however, blogging is viewed as a form of publishing, intended for larger audiences, which may also explain why fewer people in these geographies do it.[9]

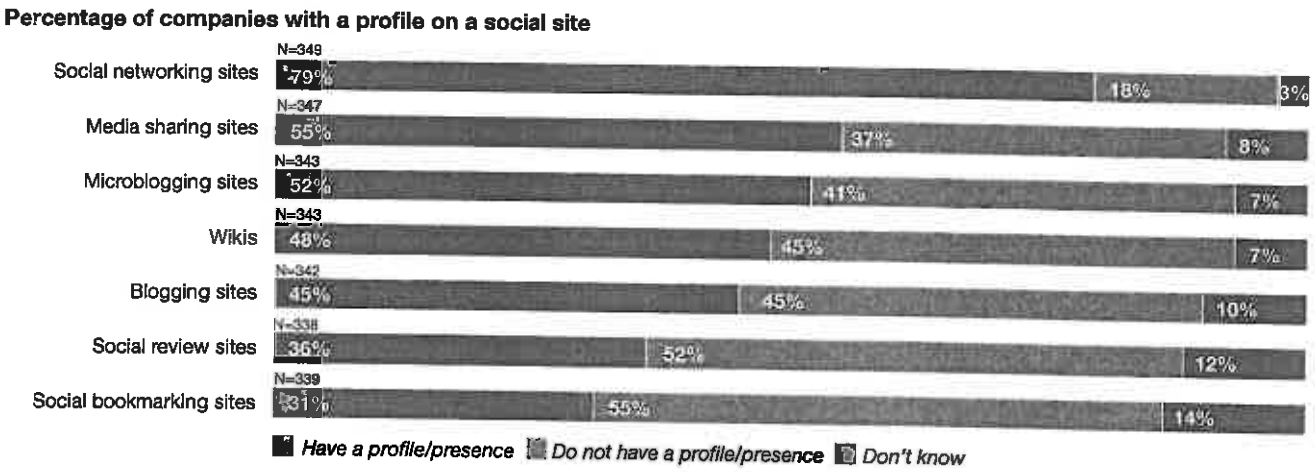
Emerging markets have embraced social media with gusto. Both India and Brazil represent some of the most aggressive growth, where more than 90 percent of online survey respondents report having an account on a social networking site. The reasons for the rapid increase of social media usage in the emerging markets vary from country to country; however, the concentration of Generation Y and younger users in those regions, the cultural emphasis on maintaining regular contact with friends and family, and the influx of mobile technologies have contributed to this social media explosion.

Companies, keenly aware of this global social media phenomenon, are feeling intense pressure to get in on the action. Nearly 70 percent of executives say their companies will be perceived as "out of touch" if they don't engage, and over half believe their competition is successfully reaching customers through social media. Not surprisingly, their rush to embrace social networking sites has mirrored consumers' adoption, with 79 percent claiming a profile or presence on a social networking site, and over half use media sharing and microblogging sites (see Figure 2).

Although the consumer stampede to social media is indeed impressive, companies also need to be aware the numbers can be deceiving. To get a better picture of actual social media interaction, we grouped consumers based on their social media engagement levels by asking them how they interact on social sites – whether they typically just read, occasionally interact or almost always engage. Our findings reinforce what other similar studies have also uncovered.[10]

Only a small proportion of consumers – the Engaged Authors at 5 percent – nearly always respond to others' comments or author their own posts. The next and by far largest group, which we dubbed the Casual Participants (75 percent), occasionally will respond or post their own content.

Only a small percentage of consumers on social sites can be counted on to interact regularly.



Note: Numbers rounded to equal 100 percent.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure 2: **Companies tend to use social networking sites more than other types of social sites.**

The last group, the Silent Observers at 20 percent, sits quietly on the sidelines. Although they have accounts, they read but do not participate and have never contributed to a conversation or posted their own content.

Targeted campaigns with incentives to interact can entice the Casual Participant to engage.

These participant categories have multiple implications for businesses hoping to use social media to get closer to customers. Innovative companies are identifying their Engaged Authors, collaborating with them and leveraging their influence as brand evangelists. The Casual Participants and, to some degree, the Silent Observers also constitute a rich reserve with the potential to engage. Businesses should view this as an opportunity to reach out to new and existing customers. However, it will likely take a targeted, multichannel campaign that rewards customers for using a social option with further incentives to motivate them to actually interact.

It's personal

For most consumers, social media is about engaging with friends and family and accessing news and entertainment – not interacting with brands.

When asked why they go to social media or social networking sites, 70 percent of consumers chose "Connecting with network of friends and family," while only 23 percent noted "Interacting with brands" (see Figure 3).

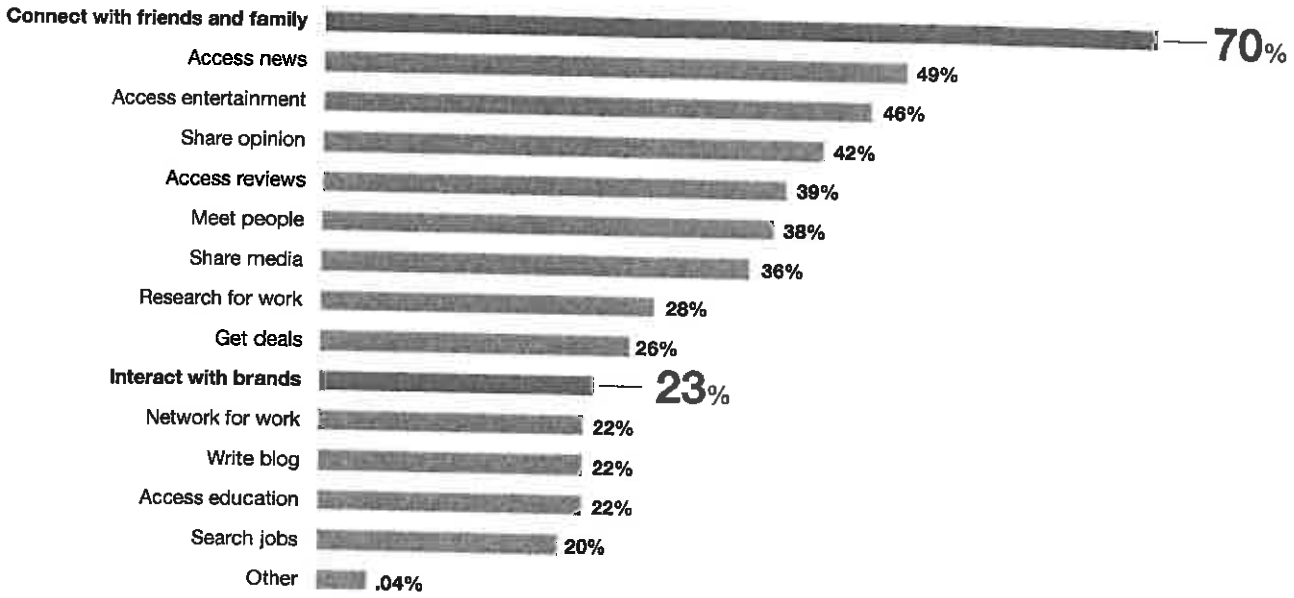
As a group, Engaged Authors are more likely to interact with companies (60 percent), but even they rank this reason well behind others on their list, with "Connecting with friends and family" receiving a whopping 92 percent.

In fact, **just over half of consumers surveyed say they do not engage with brands via social media at all (55 percent).**

Privacy concerns (47 percent) and spam (42 percent) topped the reasons why they are reluctant. Additionally, over a third (34 percent) cite simple disinterest in the brand as their reason for not engaging.

Of the 45 percent who *do* interact with brands, the majority (66 percent) say they need to feel a company is communicating honestly before they will interact. Sixty-seven percent of companies say they have a culture that endorses transparent communications with customers; however, a third were either lukewarm about this or felt their company culture was not supportive. Companies that struggle with transparency risk being perceived by customers as insincere or manipulative. These types of organizations may find it difficult to interact with the authenticity that has become a must for business-customer interactions in social media.

Reasons consumers go to social media or social networking sites



Note: Sample size N=1056.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure 3: Less than a quarter surveyed use social media to interact with brands.

What does all this mean for business? Organizations need to be aware that less than half their customer base is likely to interact with them in a social media environment. This can fluctuate, of course, depending on the targeted market for a particular industry or type of business. However, regardless of the customer profile, as businesses build their social media strategies, it is important they ask a fundamental question: "Why would people choose to follow us in social media instead of reaching out via traditional channels?" The answer may be as simple as: "Because our customers congregate on social sites, and it's how they want to communicate." For the Engaged Authors and, now and again, the Casual Participants, that may be enough of a reason. However, the real opportunity lies in an organization's ability to attract others who aren't so inclined to participate. Companies need to make a concerted effort to communicate openly and authentically with these customers, learn what they value and offer benefits that entice them to act.

Perception versus reality

Sixty-five percent of businesses view social media as a new source for revenue but, at the same time, many believe receiving discounts or coupons and purchasing products or services are among the least likely reasons a customer would seek them out on social sites.[11] *Ironically, though, consumers say getting tangible value is the top reason they interact with a company, which is good news for those organizations hoping to monetize social media.*

When asked what they do when they interact with businesses or brands via social media, consumers list "getting discounts or coupons" and "purchasing products and services" as the top two activities, respectively. They rank "reading reviews and product rankings" third, which is also often part of the purchasing process as customers research product information before deciding to transact.

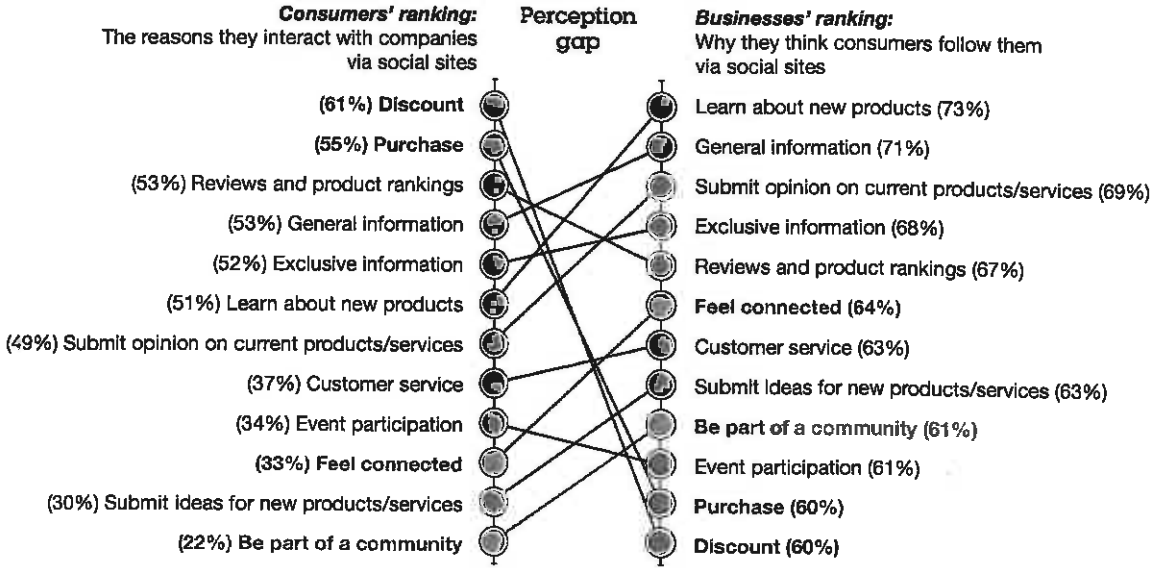
In contrast, when asked why they thought customers were following their companies on social sites, executives cite getting discounts and purchasing products or services as the two things customers were *least interested* in doing – the direct opposite of the consumers' rankings (see Figure 4).

The same question reveals another related perception gap. Businesses are *three times more likely* to think consumers are interested in interacting with them to feel part of a community. Businesses also overestimate consumers' desire to engage with them to feel connected to their brand. In fact, these two activities are among the *least interesting* from a consumer's perspective.

Consumers are willing to interact with businesses if they believe it is to their benefit, feel they can trust the company and decide social media is the right channel to use to get the value they seek. That value could be in the form of a coupon or specific information. Engaging with a company via social media may result in a feeling of connectedness for consumers – an emotional, intangible gain – but the wish for intimacy is not what drives most of them.

Businesses hoping to foster closer customer connections through social media conversations may be mistakenly projecting their own desires for intimacy onto customers' motivations for interacting. Interactions with businesses are not the same as interactions with friends. Most consumers are not motivated brand advocates who connect with a company primarily to feel associated with a brand community.

Despite this perception gap, the fact that customers desire to use social sites to transact with businesses should come as welcome news to companies that want to monetize social media. Social commerce is quickly becoming a major force in



Note: Consumer: N=1056; Business: Learn N=333, General info N=336, Submit opinion N=334, Exclusive info N=333, Reviews/rankings N=333, Feel connected N=331, Customer service N=331, Submit ideas N=332, Community N=329, Event N=332, Purchase N=334, Discounts N=331.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure 4: **Companies have some misperceptions regarding why consumers interact with them via social sites.**

social media, and we believe expediency, cost savings, and exclusive offers and sales will outweigh privacy fears. Consumers are increasingly using social media to gain recommendations, reviews and opinions from friends, family, experts and the collective social community. Once they access this content, the impulse to purchase immediately can be strong. Having to switch channels to transact will increasingly feel like an inconvenience, if not burdensome.

More companies are offering commerce opportunities delivered through third-party social platforms such as Facebook (see sidebar: Cold Stone Creamery – Real value for real friends). In 2009, 1-800 FLOWERS.COM was among the first to enable customers on Facebook to select products and purchase directly from a Facebook page.[12] In 2010, Delta Airlines launched a "social media ticket window" on Facebook, allowing customers to book a flight without having to go to Delta's Web site. Delta indicated Facebook is used by more customers while in flight than any other Web site, making it a "natural launching point" for its initiative.[13]

Social commerce adoption levels will vary based on industry, consumer concern over privacy (which is highest in China at 56 percent and Germany at 54 percent) and regulatory or legal restrictions. However, for most, the convenience and satisfaction of "one-stop shopping" will be hard to resist.

Cold Stone Creamery – Real value for real friends

Cold Stone Creamery's eGift program on Facebook is an excellent example of social commerce that optimizes the unique community aspect of social networking by enabling followers to send tangible gifts to friends.

Cold Stone Creamery, an ice cream franchiser with 1,500 locations in 16 countries, wanted to find a creative way to engage followers with a valued offering and, at the same time, drive a measurable impact on in-store sales. From Cold Stone's Facebook page, customers select one or more friends to send gifts to, choose the product they would like their friends to receive, add a personal message and proceed through the security-rich checkout process. Recipients get a Facebook message or e-mail with the eGift and its associated redemption code. Following the instructions provided, recipients can redeem their treat and customize its flavor in any U.S. Cold Stone store location.

The results are impressive. Cold Stone linked social media interaction with concrete consumer behavior patterns to increase profitability. They monetized their Facebook presence by facilitating a fun, easy way for followers to send small treats to friends – something they believed their customers would value. They were right – within weeks, eGift added thousands of dollars in incremental sales to franchisees.[14]

The advocacy paradox

Is it the chicken or the egg? Businesses are betting that social media interactions will engender increased customer loyalty. However, many consumers say they need to be passionate before they'll engage, and they are split regarding how much influence they think these interactions will have.

In the IBM 2010 Global CEO Study, 88 percent of CEOs said "getting closer to customers" was the top priority for their business over the next five years.[15] This same driver is reflected in responses from executives surveyed for this study. Almost three fourths (70 percent) believe reaching out to customers via social media will help them increase customer advocacy.

However, consumers are divided on this issue. Only 38 percent feel social media interactions with a business will have a favorable influence on their loyalty to that company, 28 percent are neutral and as many as a third (33 percent) say their social media interactions will not make them feel more loyal to that business.

In addition, they are split as to whether social interaction with a company would influence their spending with that business. Just under half of consumers (49 percent) believe their engagement would likely lead to future purchases with that company. Twenty-seven percent don't think social media interactions will influence their spending, and 24 percent are neutral. Furthermore, for nearly two thirds of consumers (64 percent), passion for a brand or business is a prerequisite for engaging with that company via social media. This means the majority of consumers are inclined to interact only with brands they already know and love.

In other words, consumers who engage already have an affinity for that brand or company, and mere participation via social media may not necessarily result in increased loyalty or spending. But a recommendation from a friend or family member could make a difference. In a 2010 IBM study on the retail industry, we found 45 percent of consumers ask friends for advice before purchasing, and more than a third turn to external sources – either fellow consumers or independent experts – to get information about a product. Only 18 percent rely on retailers and manufacturers.[16] The power of the social community's endorsement and influence can be felt each time someone "likes" a company on Facebook or re-tweets a company's message on Twitter.

Companies can take advantage of this dynamic by designing social media programs with the explicit goal of touching customers emotionally and motivating them to share their experiences with others. The American Express Small Business Saturday program on Facebook is great example of a company using social media to connect with customers based on a shared sense of values, while also providing tangible value to both the consumer and the company (see sidebar: American Express Small Business Saturday – Crossing the emotional divide).

Most consumers interact with brands or businesses with which they already have a strong connection.

American Express Small Business Saturday – Crossing the emotional divide

American Express has two groups it wants to please: member card holders and merchants. In anticipation of the busiest shopping weekend in the United States, American Express launched Small Business Saturday, a program targeted at consumers to get them to patronize local small businesses. This clever campaign tapped into consumers' desire for discounts and their concern for their communities' economic wellbeing. At the same time, it provided support to small business clients during the peak shopping season.

Users on Facebook were encouraged to support the campaign by clicking the Facebook "like" button declaring, "I'm in!" and sharing their endorsement with all their Facebook friends. To advance the viral spread of the campaign, for each "like," American Express donated a dollar to a popular charity, Girls Inc. This charity donation was icing on the cake and a significant detail. Without having to provide personal information to engage, anyone could "like" the campaign and spread the word. Even non-card holders could click, key to creating affinity among people who aren't customers – yet.

On the program's Facebook page, customers and businesses could interact with "Shout Outs," and card holders could sign up to receive a US$25 credit as a reward for using their American Express Card at small businesses. American Express raised US$1 million for charity, extended the $25 credit offer to the end of the year and encouraged fans to participate in polls about their experience.[17]

Recommendations and next steps

Organizations need to carefully consider how they can create a social media experience that is unique to their brand, offers customer value and exploits the power of the social community.

Companies should consider the following to lay the foundation for a successful social media program that will help them reinvent their customer relationships:

- *Recognize social media is a game changer.* We believe that for many companies, social media will become the gateway, if not the primary, communications channel to connect with customers. As companies design their social media programs, they need to think of their customers holistically and consider their social media interactions in the context of other customer touch points with the company.
- *Be clear on the differences between social media and other channels.* Social CRM is about enabling engagement with the customer for the mutual benefit of the customer and the business. The traditional model of managing the customer relationship needs to adapt to the reality that the customer is now in control.
- *Make the customer experience seamless – across social media and other channels.* If you know your customer in one channel, you need to know him or her in other channels as well. This means the social solution should not be devised as an isolated standalone program, but needs to be thoughtfully integrated with other customer-facing initiatives.
- *Start thinking like a customer.* Instead of asking why your company should engage in social media, ask why a customer would choose to interact with your company in a social platform. Recast social interaction strategies to focus on giving customers the value they seek and the customer intimacy will come.
- *If you aren't sure what customers value, ask them.* Dialogue and participation is what social media is all about. Devise creative ways to capture the customer insight you need with polls, idea jams and challenges. Let customers participate by voting on their favorite ideas or innovations. In fact, getting customers invested in the outcome will help build the advocacy and brand affinity you seek.
- *Monetize social media, if that's what customers want.* Make it quick and easy for customers to transact directly within a social media experience. Develop social commerce campaigns that target a specific customer need with time-sensitive offers or discounts that motivate customers to act. For people to engage and keep coming back, content should be fresh and relevant. Provide incentives for people to share content with friends to capitalize on the viral benefits a community platform offers.

A successful Social CRM strategy facilitates collaborative experiences and dialogue that customers value.

Conclusion

It is understandable why companies want to use social media to interact with customers. The benefits are real and deep. First, there is the social interaction itself, which can provide direct value to the business through revenue from social commerce and cost savings when used for customer care or research, for example. Plus, social networking enables rapid, viral distribution of offers and content that may reach beyond what could be done in traditional channels – all with endorsement from connections people trust. But that is just the beginning. Companies also can use social platforms to mine data for brand monitoring and valuable customer insights, which can spark innovations for improved services, products and customer experiences. In a constant cycle of listen-analyze-engage-evolve, organizations can optimize their social media programs to continually enhance their business.[18]

With so much to gain, companies need to invest the effort to understand how to break through the noise and offer current and potential customers a reason to reach out to them via social media. Businesses, eager to get closer to customers, are building pages on social networking sites, posting videos and mircoblogging; however, if they don't focus on what the majority of their customers value in social media, they may be missing the boat. In fact, offering tangible value to consumers may be the strongest incentive to attract the 75 percent of Casual Participants who need a good reason to interact.

For companies that have been taking a "build it and they will come" approach to social media, these consumer findings are a wake-up call that much more needs to be done if they want to attract more than the most devoted brand advocates.

To learn more about this IBM Institute for Business Value study, please contact us at iibv@us.ibm.com. For a full catalog of our research, visit:

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Bad customer care ruins trust

A lot of businesses take an unnecessarily long time to resolve complaints

The customer-business relationship is really no different to any other. Just like a good personal partnership, it needs mutual respect, trust and integrity.

And as in a personal relationship, if these values are missing, the association is deemed.

So why does business regularly treat customers badly, ruining relationships and risking brand and reputational damage in the process?

It's been said before but I'll say it again. Mistakes happen, products fail systems come unstuck. It's the way in which these issues are handled, however, that determines whether consumers champion or bad-mouth a brand.

Business should be upfront and honest, and ready to apologise. (Excuses can be left to cabinet ministers).

If suppliers offered more empathy when things go wrong, the volume of complaints from consumers would probably halve overnight.

It's customer service 101, listen, empathise and resolve. And do it quickly.

I'm amazed at how readers who send me their complaints are so grateful just to get a response from me, much less a resolution. They're so relieved to have finally been heard. Whatever the merits of a complaint, something has caused a customer distress.

And that should be enough to trigger action from a supplier. But it's all too often ignored.

As happened to Pretoria resident Adele Hosken who had a problem with Hyundai.

"I must be honest with you" the 35-year-old wrote to Hyundai after the issue was recently solved, "that I am left with the overwhelming impression that if it wasn't for the Sunday Times' intervention I would still be without any recourse from Hyundai".

A sad indictment on a company that says it wants to become the"best loved brand" in South Africa.

Hosken's case was not complicated. In fact, it's one of the most simple car complaints I've had.

'I really love my i30 but I am serious when I say that if someone asks me if I would recommend Hyundai I would think twice'

In a nutshell, Hosken took her 2010 Hyundai i30 for its scheduled 45 000km service at Hyundai Menlyn, Pretoria, in June. When she collected it later that day, there was a crack of about 40cm across the middle of the windscreen.

"my windscreen had no crack whatsoever when I delivered my car in the morning," said Hosken, a programme coordinator and knowledge analyst for an international aid organisation.

She reported it immediately to the service adviser and service foreman, who agreed the crack, had not been noted on the check sheet that morning.

The check sheet lists existing damage to the body of the car, mileage and fuel level before servicing.

The service manager said that if there had been an existing chip on the windscreen when the car was raised off the floor for servicing, it could have caused a crack to develop.

He said Hyundai was not liable for the damage and advised Hosken to ask Glasfit to provide a report on whether the chip was a new or existing one. If new, Hyundai would pay for Hosken's insurance excess when she claimed for a new windscreen.

"What utter rubbish" said Hosken, "I took the car to Glasfit knowing full well that there is no way to verify whether it was an existing or new chip.

"The service consultant said that they had found that when windscreens got damaged in the service process, it was sometimes caused by the fact that the wipers were raised and the bonnet was opened without putting the wipers down which caused the wipers to come crashing down on the windscreen..."

Hosken never got any further on her own, despite twice alerting customer care to the problem – at both dealership and national level – and sending the dealer principal an e-mail complaint.

It was only after she sent her complaint to the Sunday Times that Hyundai apologised and offered to replace her windscreen.

According to general manager of corporate communications, Deon Sonnekus, the dealer principal had not been aware of the case.

"On being presented with the facts, [he] investigated it and it was decided to replace the windscreen. I do not know why this was not done in the first instance," he said.

A few days later, Hyundai's national customer care manager, Corne Theron, apologised to Hosken for the way its dealer had handled the complaint and the "non-resolution"

"This is definitely not the level of service we expect our dealers to give our valued customers and appropriate action will be taken against the parties involved.

"After all, Hyundai wants to become the 'best loved brand' in South Africa but regrettably we fall far short of that if our dealer network continues to render this level of service. "Theron said as far as Hosken is concerned, there's a "much large systemic problem" in the company; its customer service procedure is "broken".

"I really love my i30 but I am serious when I say that if someone asks me if I would recommend Hyundai I would think twice. Follow-up service is just as important as the actual product," said Hosken.

"My mother is in the market for a new car. It's a toss-up between Ford and Hyundai. My advice would be [for her] to look into Ford as first choice."

Ouch Hyundai, that's got to hurt.