



FACULTY OF MANAGEMENT
EXAMINATION JUNE 2017

DEPARTMENT OF BUSINESS MANAGEMENT

<u>MODULE</u>	:	CUSTOMER MANAGEMENT
<u>CODE</u>	:	BMM9X01
<u>DATE</u>	:	JUNE
<u>DURATION</u>	:	3 HOURS
<u>TIME</u>	:	09:00 – 12:00
<u>TOTAL MARKS</u>	:	100

<u>EXAMINER</u>	:	Prof M Roberts-Lombard
<u>(EXTERNAL) MODERATOR:</u>		Prof M Tait (NMMU)
<u>NUMBER OF PAGES</u>	:	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. The question paper and answer sheets must be handed in on 7 June 2017 before 12:00 to the reception desk of the Department of Marketing Management, C-Ring 6, APK campus.
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.

CASE STUDY

Read the Europe Car and IBM case studies attached.

SECTION A (Thursday to Friday morning sessions)

QUESTION 1

[25]

- 1.1 Critique how Europcar can use the empowerment of its employees in enhancing its service delivery to external customers. (10)
- 1.2 The building of long-term relationships is a vital competitive tool for securing the future survival of any organisation. Consult to the customer service division of Europcar on how they can secure their customer base as friends, with the overall outcome of making their customer base their partners. (10)
- 1.3 Consult on how Europcar can use tiered-value service offerings to manage customer expectations. (5)

QUESTION 2

[25]

- 2.1 Develop a guiding framework for organisations to consider before designing social media engagement strategies into their marketing strategy. Support your answer with a diagram. (10)
- 2.2 Compile a social media engagement strategy for an organisation that will educate leadership on the basic elements to stimulate social media engagement. (15)

[50]

SECTION B (Friday afternoon – Saturday morning sessions)

QUESTION 1

[25]

Describe how IBM can enhance its brand equity by implementing an integrated communications approach. Internal marketing is a critical component, but in your answer, you need to focus on the branding model, external communication and service promises.

QUESTION 2

[25]

Develop a high level crisis communication plan for IBM, focusing on social media as distribution channel.

[50]

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

---o0o---

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

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 Parasnisi

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.

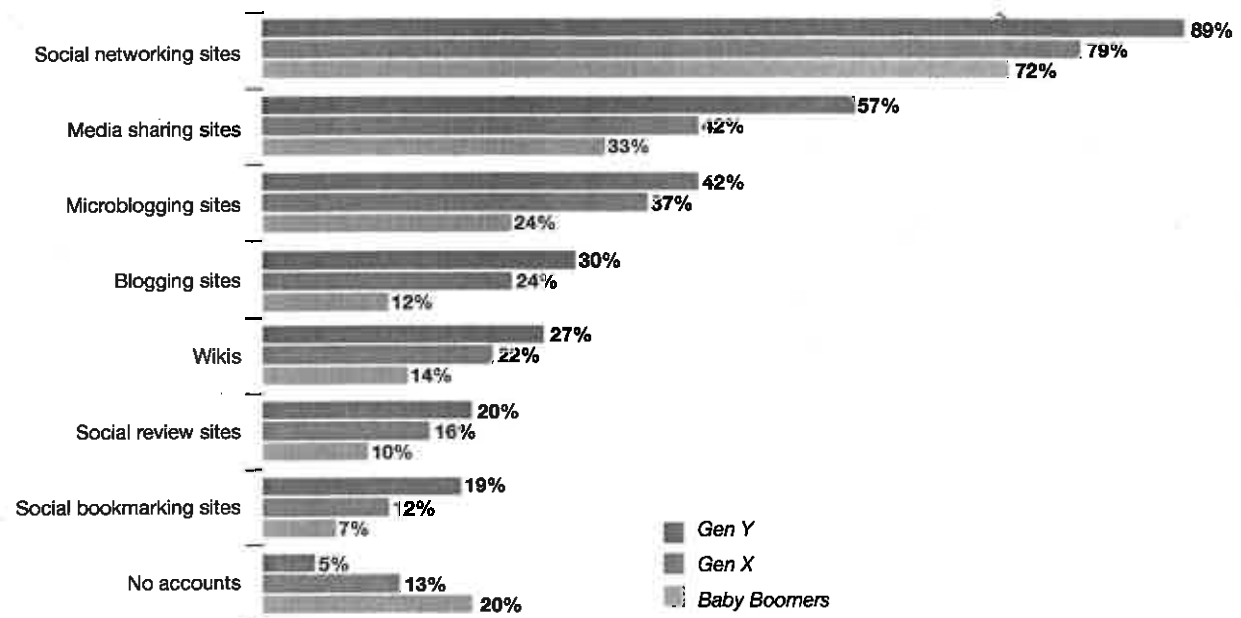
Social media surge

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.

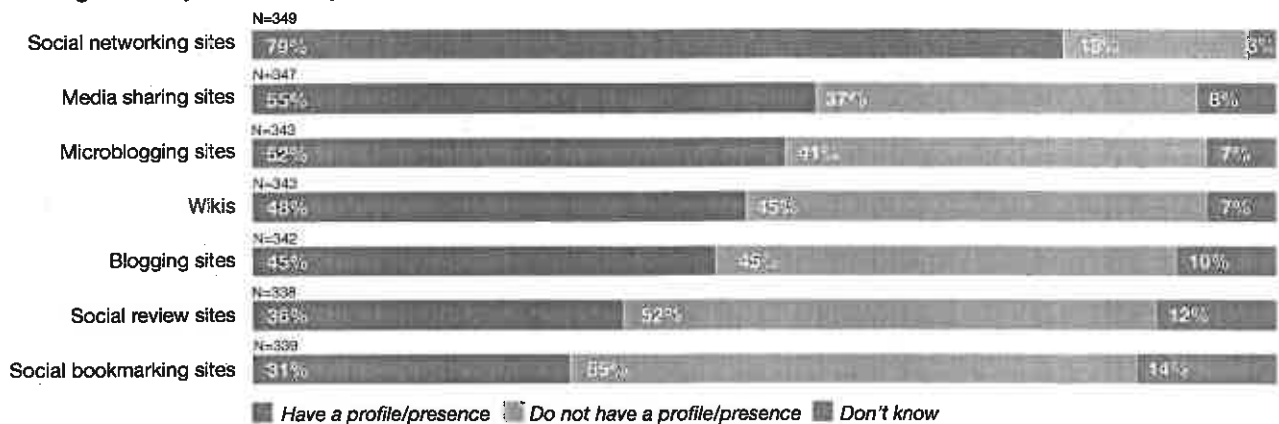
Companies, keenly aware of this global social media phenomenon, are feeling intense pressure to get in on the action. Nearly 70 percent of executives say their companies will be perceived as "out of touch" if they don't engage, and over half believe their competition is successfully reaching customers 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.

Percentage of companies with a profile on a social site



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).

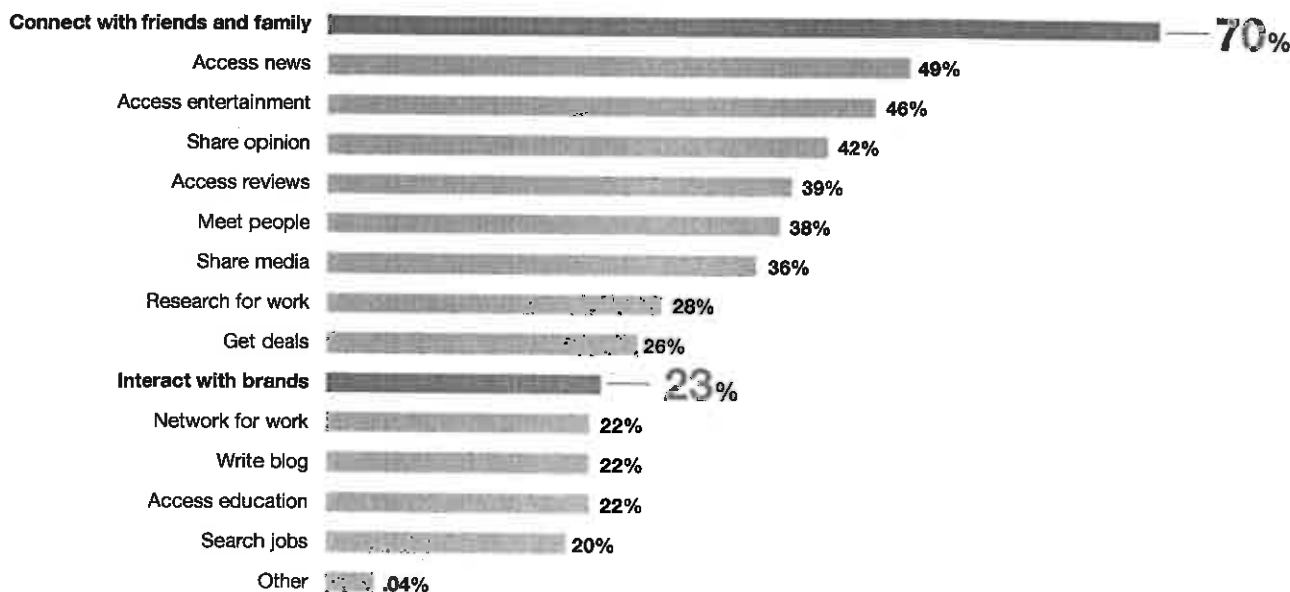
As a group, Engaged Authors are more likely to interact with companies (60 percent), but even they rank this reason well behind others on their list, with “Connecting with friends and family” receiving a whopping 92 percent.

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.

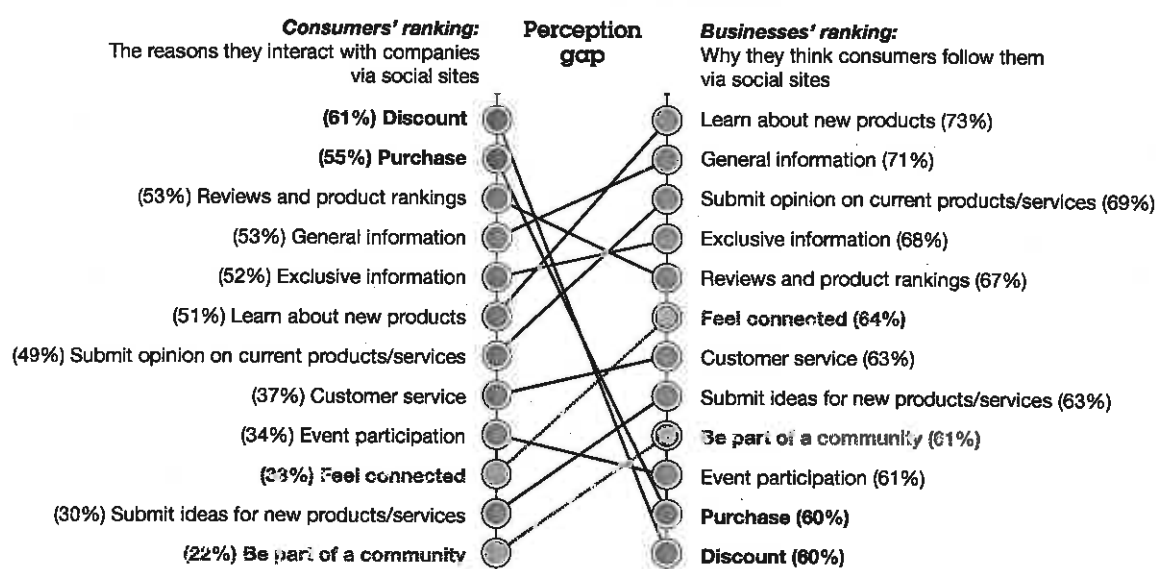
In contrast, when asked why they thought customers were following their companies on social sites, executives cite getting discounts and purchasing products or services as the two things customers were *least interested* in doing – the direct opposite of the consumers’ rankings (see Figure 4).

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: IEM 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 microblogging; 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:

ibm.com/iibv

Be among the first to receive the latest insights from the IBM Institute for Business Value. Subscribe to IdeaWatch, our monthly e-newsletter featuring executive reports that offer strategic insights and recommendations based on IBV research:

ibm.com/gbs/ideawatch/subscribe

Authors

Carolyn Heller Baird is the Global CRM Research Leader with the IBM Institute for Business Value, IBM Global Services. Her seasoned experience spans nearly 20 years with a focus on customer experience and CRM strategies, digital media development, corporate communications, marketing and branding. She can be reached at cbaird@us.ibm.com.

Gautam Parasnis is a Partner and Vice President for IBM Global Business Services and the Global CRM Leader. He has more than 20 years of experience developing customer experience and CRM strategies, driving enterprise CRM transformations and delivering enabling technologies. He can be reached at gautam.parasnis@us.ibm.com.

Contributors

Saul Berman, Partner & Vice President, Global Strategy Consulting Leader and Innovation & Growth Services Leader, IBM Global Business Services

Geoffrey Hamelin, Market & Solutions Development Leader/CRM, IBM Global Business Services

Denise Arnette, Market & Solutions Development Leader/Innovation & Growth, Strategy & Transformation, IBM Global Business Services

d'Artagnan Catellier, Innovation & Growth Leader, Strategy & Transformation, Central and Eastern Europe, IBM Global Business Services

Rawan Shah, Social Business Transformation Consultant, IBM Software

Eric Lesser, Institute for Business Value Practice Leader, IBM Global Business Services

The right partner for a changing world

At IBM, we collaborate with our clients, bringing together business insight, advanced research and technology to give them a distinct advantage in today's rapidly changing environment. Through our integrated approach to business design and execution, we help turn strategies into action. And with expertise in 17 industries and global capabilities that span 170 countries, we can help clients anticipate change and profit from new opportunities.

References

- 1 "Capitalizing on Complexity: Insights from the Global Chief Executive Officers Study." IBM Institute for Business Value. May 2010. <http://www-935.ibm.com/services/us/ceo/ceostudy2010/index.html>
- 2 "Statistics." Press room. Facebook Web site, accessed January 10, 2011. <http://www.facebook.com/press/info.php?statistics>
- 3 Beaumont, Claudine. "Twitter hits 10 billionth tweet." The Telegraph. March 5, 2010. <http://www.telegraph.co.uk/technology/twitter/7375442/Twitter-hits-10-billionth-tweet.html>; Anderson, Sophie. "Twitter User Sends World's 20 Billionth Tweet." BBC News. July 31, 2010. <http://www.bbc.co.uk/news/world-asia-pacific-10829383>
- 4 "Social Networking Habits Vary Considerably Across Asia-Pacific Markets." comScore press release. April 7, 2010. http://www.comscore.com/Press_Events/Press_Releases/2010/4/Social_Networking_Across_Asia-Pacific_Markets/%28language%29/eng-US
- 5 For more information about the maturity of companies' social media strategies, refer to the second paper in this two-part series: "From social media to Social CRM: Reinventing customer relationships." IBM Institute for Business Value. 2011.
- 6 We define Generation Y as those born between 1975 and 1992 (18 to 35 year olds), Generation X as those born between 1965 and 1974 (36 to 45 year olds) and Baby Boomers as those born in or before 1964 (46 years old and older).

- 7 Berman, Saul, Bill Battino and Karen Feldman. "Media's Looming Revenue Gap: Digital-driven challenges for traditional business models." IBM Institute for Business Value. March 2010; IBM Institute for Business Value analysis of IBM Digital Consumer Surveys: 2007, 2008 and 2009 (N = 10,000).
- 8 Examples of microblogging sites include Twitter, Jaiku and Tumblr. Examples of blogging sites include Blogger, WordPress and Xanga. Examples of wikis include Wikipedia, WikiHow, WikiBooks and Wiktionary. Examples of social review sites include Yelp, Epinions and Trip Advisor. Examples of social bookmarking sites include Digg, Delicious, StumbleUpon and Reddit.
- 9 Piskorski, Mikolaj Jan and Tommy McCall. "Mapping the Social Internet." *Harvard Business Review*. July-August 2010. <http://hbr.org/2010/07/vision-statement-mapping-the-social-internet/ar/1>
- 10 A Global Update of Social Technographics.* Forrester Research, Inc. September 28, 2010.
- 11 For more information about the social media strategies and practices companies are putting in place and the current challenges they face, refer to the second paper in this two-part series: "From social media to Social CRM: Reinventing customer relationships." IBM Institute for Business Value. 2011.
- 12 Wauters, Robin. "1-800-FLOWERS.COM Sets Up Shop Inside Facebook." *TechCrunch*. July 29, 2009. <http://techcrunch.com/2009/07/29/1-800-flowerscom-sets-up-shop-inside-facebook/>
- 13 Markiewicz, David. "Delta Launches 'ticket window' on Facebook." *The Atlanta Journal-Constitution*. August 12, 2010. <http://www.ajc.com/business/delta-launches-ticket-window-590918.html>
- 14 "Cold Stone Creamery launches eGift program." Cold Stone press release. July 7, 2010. http://www.coldstone-creamery.com/assets/pdf/news/2010/pr_cold-stone-creamery_egift_070710.pdf
- 15 "Capitalizing on Complexity: Insights from the Global Chief Executive Officers Study." IBM Institute for Business Value. May 2010. <http://www-935.ibm.com/services/us/ceo/ceostudy2010/index.html>
- 16 Schaefer, Melissa. "Capitalizing on the Smarter Consumer." IBM Institute for Business Value. February 2011.
- 17 American Express Small Business Saturday Facebook page, accessed January 2010. http://www.facebook.com/SmallBusinessSaturday?v=app_165267296827487; "Who we are." American Express Web site. <http://about.americanexpress.com/oc/whoweare/>; Small Business Saturday Web site, accessed January 24, 2011. <http://smallbusinessaturday.com/faq.html>; "Small Business Saturday (SM) Firmly Plants Its Roots Between Black Friday and Cyber Monday." American Express press release. December 2, 2010. <http://about.americanexpress.com/news/pr/2010/post-sbs.aspx>
- 18 For more information about Social CRM and how companies are incorporating social media into their customer relationship management strategies, refer to the second paper in this two-part series: "From social media to Social CRM: Reinventing customer relationships." IBM Institute for Business Value. 2011.



© Copyright IBM Corporation 2011

IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
February 2011
All Rights Reserved

IBM, the IBM logo and ibm.com are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the Web at "Copyright and trademark information" at ibm.com/legal/copytrade.shtml

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.



Please Recycle

