

From social media to social customer relationship management

Carolyn Heller Baird and Gautam Parasnis

Carolyn Heller Baird is the Global CRM Research Leader with the IBM Institute for Business Value, IBM Global Services (cbaird@us.ibm.com). Gautam Parasnis is a Partner and Vice President for IBM Global Business Services and the Global CRM Leader (gautam.parasnis@us.ibm.com).

Getting closer to customers is a top priority for CEOs, according to the IBM 2010 CEO Study.[1] Today's businesses are vigorously 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 engage where their customers are paying attention. Today, this hub of customer activity is increasingly virtual, located inside a social media or social networking site. Consider the speed at which social media is being adopted by consumers and businesses alike. In 2010 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 customer relationship management (CRM) approaches. CRM strategy, enabled by processes and technologies, is designed 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 their unprecedented immediacy and reach.

A new strategy – social customer relationship management

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

“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.”

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 box, “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 engage regularly by responding to posts and authoring 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.
- **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.
- **The advocacy paradox.** 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.

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.

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.

Implications for companies

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]

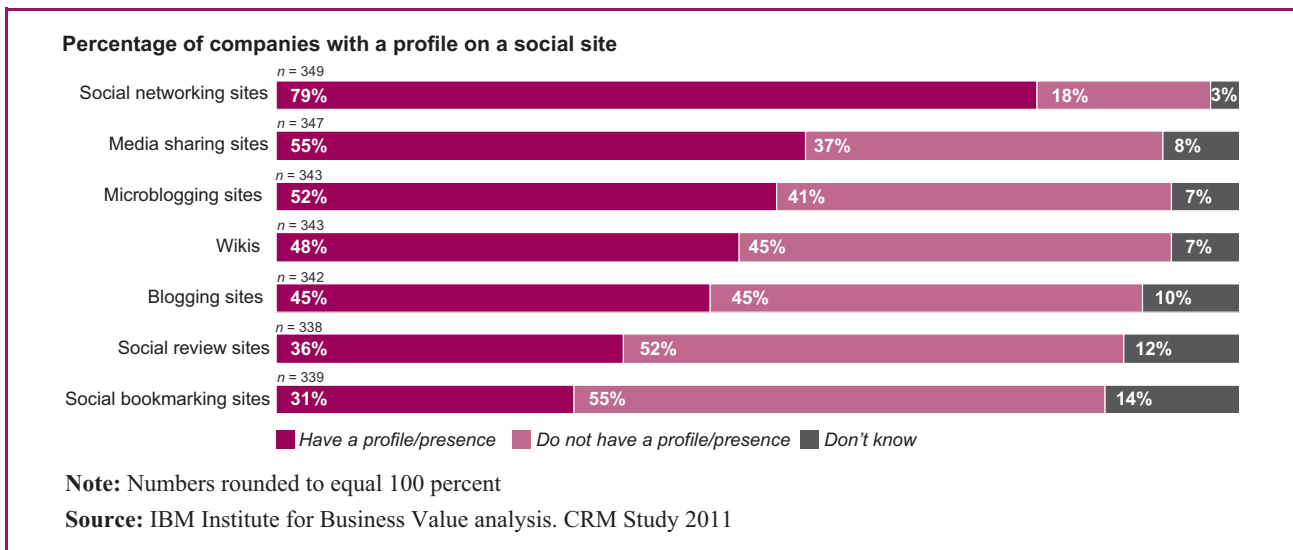
Companies, keenly aware of this global social media phenomenon, are feeling intense pressure to get in on the action. Nearly 70 percent of executives say their companies will be perceived as “out of touch” if they don’t engage, and over half believe their competition is successfully reaching customers 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 Exhibit 1).

Companies also need to be aware that the social networking user data 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.[6]

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. 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.

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.

Exhibit 1 Companies tend to use social networking sites more than other types of social sites



It's personal

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."

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.

Perception versus reality

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 Exhibit 2).

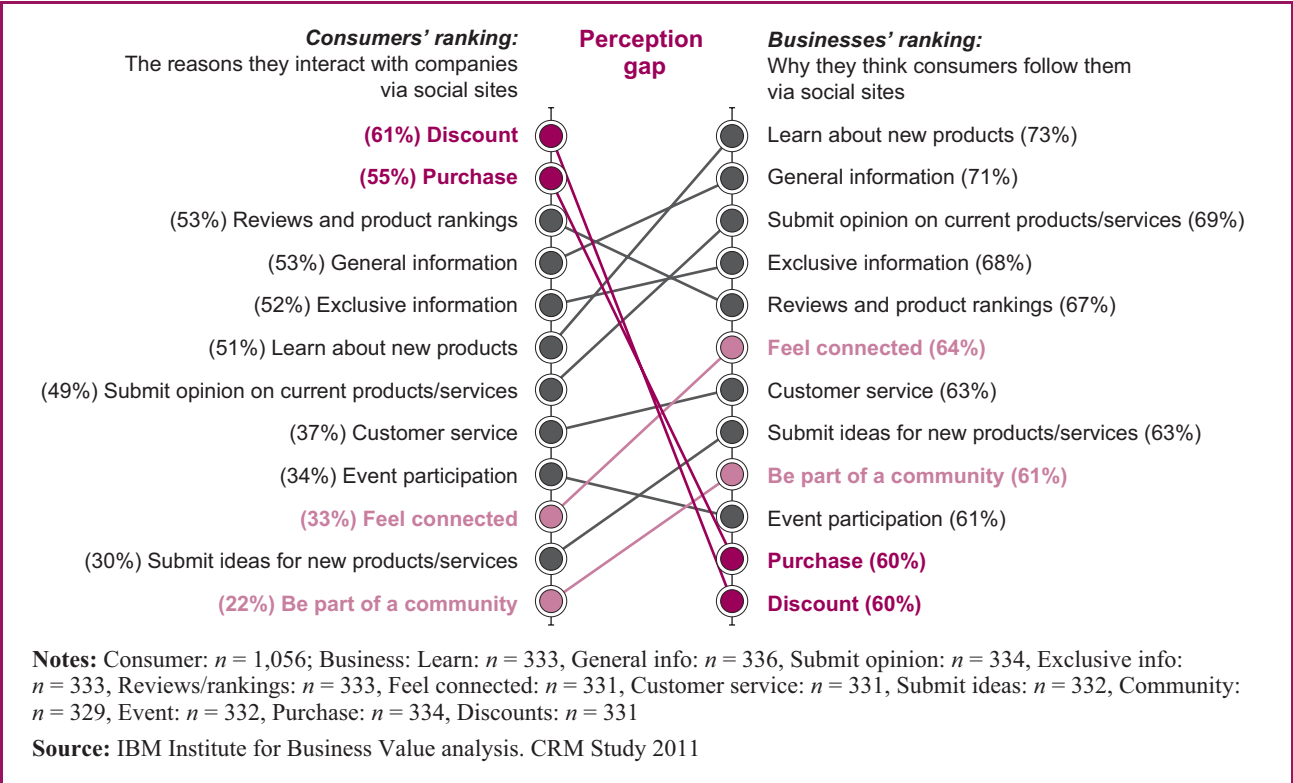
The same question reveals another related perception gap. Businesses are three times more likely to think consumers are interested in interacting with them to feel part of a community. Businesses also overestimate consumers' desire to engage with them to feel connected to their brand. In fact, these 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 to interact.

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 social media, and we believe expediency, cost savings, and

“ 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. ”

Exhibit 2 Companies have some misperceptions regarding why consumers interact with them via social sites



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.

More companies are offering commerce opportunities delivered through third-party social platforms such as Facebook (see box, “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.[7] In 2010, Delta Airlines launched a “social media ticket window” on Facebook, allowing customers to book a flight

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 US 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.[9]

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.[8]

The advocacy paradox

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.

Of the 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. 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 an 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 box, "American Express Small Business Saturday – crossing the emotional divide").

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 a significant incentive. 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.[10]

“We discovered significant gaps between what businesses think consumers care about and what consumers say they want from their social media interactions with companies.”

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.[11]

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.

Notes

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 Website, 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. *A Global Update of Social Technographics®*, Forrester Research, Inc. September 28, 2010.
7. 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/>
8. Markieaposwicz, 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>
9. "Cold Stone Creamery launches eGift program," Cold Stone press release, July 7, 2010, http://www.coldstonecreamery.com/assets/pdf/news/2010/pr_cold-stone-creamery_egift_070710.pdf
10. 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>
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.

Corresponding author

Carolyn Heller Baird can be contacted at: cbaird@us.ibm.com

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.