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Strategically Social: 5 Keys to becoming a Social Business



by Brent Leary



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Strategically Social:

Five Keys to Becoming a Social Business

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INTRODUCTION

In 2005 Jeff Jarvis gave Dell three suggestions for changing the way they engage customers like him who, as he put it, have their own printing press (blog) and get to use it however they want to. This was after he used his printing press to vent his feelings after a frustrating customer service experience. The three suggestions were to read blogs, talk to their customers, and to blog themselves. And with those three basic but important suggestions, Jarvis gave Dell the playbook they have used to turn a negative experience into the impetus behind a continuing effort to leverage social tools and channels to listen and engage customers in a variety of ways.

Now most organizations don't have the resources to build a social media command center in order to listen to what customers and prospects are saying on social networks, but there are a number of ways even the smallest of companies can leverage social and mobile technologies to create opportunities to more meaningfully connect with customers. But in many ways the technology is not the main determining factor of how successful companies will be utilizing social media to build better relationships with customers.

BIG Differences: STRATEGY VS. AD HOC

2.5X

MORE LIKELY TO HAVE A
YOUTUBE CHANNEL

5X

MORE LIKELY TO PLAN
ON USING COUPON
SERVICES

5X

MORE LIKELY TO MEASURE
CUSTOMER RETENTION
METRICS

CRM Essentials, along with the SMB Group, recently surveyed 750 executives at small and mid-size companies in order to get a better understanding of how their organizations used social tools and strategies in order to create longer, more meaningful relationships with customers. At a high level, we found four categories that organizations fit into:

- ***Socially Strategic*** – companies that identified their approach to social as being organized, consistent and strategically implemented
- ***Informal*** – companies that identified their approach as being ad hoc and not consistently implemented

- **Planners** – companies who aren't using social media to engage customers today, but plan to do so in the next twelve months
- **No Planners** – companies who aren't using social media to engage customers today, and aren't planning on using it in the near future

Although Planners and No Planners identified their organizations as not using social media to engage customers, through their answers to various questions we recognized even they used some social channels at a minimal level. But the interesting comparisons come from analyzing companies who are more strategic in their social methodology, and how they differ from the informal approach to social.

This eBook digs into how the strategically social companies – particularly at the midsize business level – are integrating social tools and strategies in order to address the lessons Jeff Jarvis first addressed in 2005, in today's much different business environment. Below are five high level areas where being strategic is transforming the relationship companies are having with customers.



SOCIALIZING THE BUSINESS CULTURE...NOT JUST THE BUSINESS TECHNOLOGY

Customers have changed in a number of ways in a relatively short period of time. Mobile devices, social networks, and ubiquitous broadband access has empowered them to communicate with thousands of people in the blink of an eye. They can create and share information with a few clicks of their camera phone. And when a catastrophe takes place half way across the world, not only are they notified in real time by somebody in the middle of it, they can text a code to a humanitarian service to send money almost immediately.

So technology has changed our behavior, our activities and our expectations in basically all aspects of life – including our role as customers. And customers expect a lot more from people they do business with. Even back in 2008, the Cone Business Study on

Social media found 93% of customers expected companies to have a presence on social channels, and 85% expected companies to interact with them on those social channels.

Even though customers have changed their behavior and expectations, one thing that hasn't changed is their core philosophies. They've always wanted to be valued for more than the financial transaction they bring to a company. They've always wanted to be listened to, and for companies to act on what they hear. They want companies to value their time as well as their money. And companies who understand that will have customers who value what they have to offer – beyond having the lowest price.

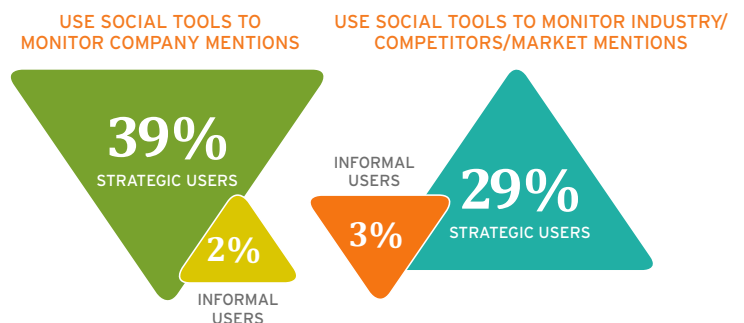
And while customer philosophy hasn't changed, the vendors that serve them will have to alter their approach in order to build better relationships with them. Technology has amplified the voice of the customer, and has empowered them to take greater control of the relationships they have with the vendors that serve them. And this new found control is coming at the expense of companies who had been used to controlling the conversation, the communication and the playing field. But technology has changed all that, so quickly that many organizations are having trouble understanding how to operate in this new customer-centric environment.

Most companies are just not built for this. They came along when businesses held all the cards, and built their cultures according to the rules of that day. But it's a new day, and it calls for a new organizational strategy: not just for organizations to use new technology. Using Facebook and Twitter to push the same philosophy isn't going to work. Trying to use social channels to perform a monologue on how great your product or service is will get you nowhere faster than you could ever imagine, to a wider number of people than ever before.

It takes a new voice as well as a new microphone in order to reach the audience. And before you even try out that new voice and microphone, companies should try out some new ears so they can listen and understand what is truly on the minds of the customer. Because it's what you hear with those ears that will help your new voice deliver the right words – words that will mean something important to the audience.

Companies today who are willing and able to change their corporate philosophies in order to more meaningfully connect with today's social customer will increase their likelihood of keeping that customer longer. Changing their philosophy will be harder for some companies than changing technology. But having the right philosophy and culture -

Culture of Listening



implemented with the right technology – gives them a better opportunity to be viewed by customers as a valued partner, and not just an easy-to-replace vendor.

Those who opt for a strategic approach to leveraging social media take a more holistic view of how it can impact business, internal collaboration, and relationships with their customers. Here are a few key points of interest, from the survey mentioned in the introduction, on how strategic use of social can transform a company using social media, into a social business.

Moving Beyond the Marketing Department

- Strategic users 2.5X more likely to have Sales involved than Informal users (45% vs. 17%)
- Strategic users 2.5X more likely to have HR involved than Informal users (35% vs. 15%)
- Strategic users 37% more likely to have Owners involved than Informal users (38% vs. 24%)
- Strategic users 33% more likely to have Product Development involved than Informal users (32% vs 21%)
- Strategic users almost 3X more likely to use social media for product development than Informal users (34% vs. 13%)

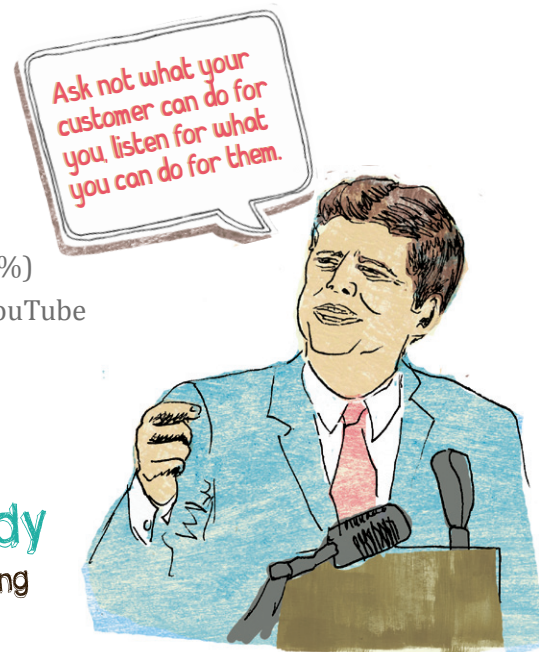
Behavioral Differences

- Strategic users twice as likely to use social media for research than Informal users (33% vs. 16%)
- Strategic users twice as likely to use social media for internal collaboration than Informal users (24% vs 12%)
- Strategic users 33% more likely to use social media for improving market awareness than Informal users (51% vs. 35%)
- Strategic users 40% more likely to use social media to monitor company reputation than Informal users (45% vs. 27%)

Leveraging Social Channels

- Strategic users are 34% more likely to post content on Facebook Groups than Informal users (71% vs 47%)
- Strategic users 2.5X more likely to have a company YouTube presence than Informal users (48% vs. 19%)
- Strategic users are 30% more likely to participate in LinkedIn forums than Informal users (47% vs. 33%)

president Kennedy
on the importance of listening



THE NEW SAAS: SOCIAL AS A STRATEGY

According to the survey, taking a strategic approach to using social has significant benefits over informal approaches. Strategic users were twice as likely to expect revenues to increase by at least ten percent in 2011 over last year, compared to those who don't have plans to use social media (43% vs. 22%). In fact, people working at strategically social companies were twelve times more likely to predict an increase of twenty percent in 2011 revenues over last year, compared to more informal social media users (12% vs. 1%). And employees from companies who don't use social media are twice as likely to expect a decrease in revenues this year compared to strategic users.

Sixty-three percent of strategically social companies report generating leads from their activities, compared to just thirty-six percent of informal users. Additionally, strategic users are almost three times more likely to execute activities for engaging prospects than informal users (53% vs. 19%). Strategic users are also twice as likely to generate website visits as those with an informal approach to social (66% vs. 33%). And strategic users are three times more likely to use social channels to connect with other people important to their business, like partners, vendors and industry influencers (56% vs. 17%).

While there are many indications in the survey results that even an informal use of social media has benefitted companies, it's apparent that a structured, strategic approach increases the odds of building longer, more valuable customer relationships. Below are a few interesting comparisons with respect to how employees from strategic organizations implement their methodology, compared to a less structured, ad hoc approach.

Social Actions

- Strategic users cite Facebook as one of their top sources of information (12%). 12X more likely to use Facebook than Non-users (1%) and 4X more likely than Planners (3X)
- Strategic users are 34% more likely to post content on Facebook Groups than Informal users (71% vs 47%) and 2.5X more likely to have a company YouTube presence (48% vs. 19%)
- Strategic users are 30% more likely to participate in LinkedIn forums than Ad-hoc users (47% vs. 33%)
- 38% of Strategic users have Twitter feeds of company related discussions included on their website – 2X more than Informal users (15%), more than 3X planners (11%)

Extreme Listening

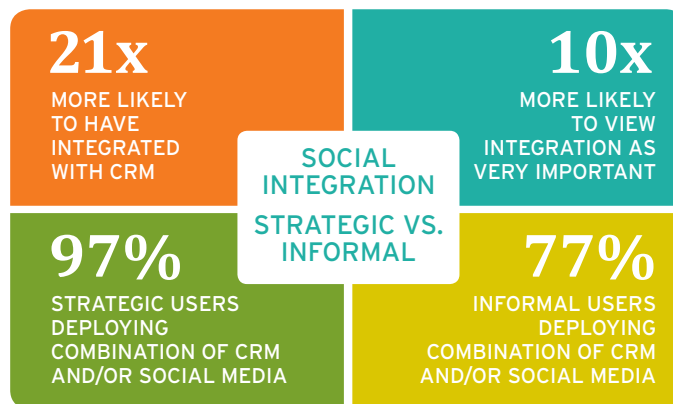
- Strategic users 19X more likely to use social media tools to monitor company mentions than Informal users (39% vs 2%)
- Strategic users 10X more likely to use social media tools to monitor industry/competitors/market mentions than Informal users (29% vs. 3%)

Extending Market Awareness

- Strategic users are more than 11X more likely to use SEM than Non-users (68% vs. 6%) to build market awareness
- Strategic users are significantly more likely to use email, chat, web conferencing, etc for growing market awareness (53%) than informal users (34%), planners (26%), and non-users (12%)

More Keys

- Strategic users deployed a combination of CRM and social media (97% combined percentage) at a much higher rate than Ad-hocs (77% combined), Planners (55% combined) and Non-users (43%)
- Strategic users are 2X more likely to be satisfied creating more/better interactions with customers/prospects than Informal users (52% vs 26%)
- Strategic users 2X more likely to use Social Media for research (45%) than Planners (21%) and Non-users (23%), and significantly more likely than Informal users (32%)



Plans for the Future

- 35% of Strategic users are planning to use Geo location services - more than 2X the percentage of Planned users (16%)
- Strategic users are 5X more likely to plan on using coupon services than Informal users (37% vs. 7%)

If growing revenues, maintaining profitability and finding new customers are at the top of the list when it comes to business challenges, then it appears that a more strategic,

consistent methodology to utilizing social tools is more likely to have an impact than a more casual, ad hoc approach.

The ability to proactively understand customer needs, expectations and values requires more than an informal group of actions, delivered haphazardly. It calls for a strategic, consistent approach delivered in a more systematic fashion in order to build relationships with customers that can last a long time.

FOCUS ON CUSTOMER RETENTION/EXPERIENCE

Generating revenue, maintaining profitability and attracting new customers were at the top of the list for challenges companies are facing today. But the people working at strategically social organizations cited improving customer retention/customer experience as the third highest challenge they face – tied with the overall number one challenge of generating revenue. No other organization type (Informal, Planner, Anti-social) had customer retention/customer experience in their top ten challenges.

With revenue generation as the number one challenge cited by all types except strategic users, it's interesting to see customer retention lower on the list of business challenges, since extending the relationship with customers is a key revenue growth strategy, in addition to acquiring new customers. It can also have significant impact on the other top business challenge of maintaining profitability, as it is typically 5-10 times cheaper to keep customers than it is to acquire new ones.

With that in mind, it doesn't seem like a coincidence that employees at strategically social organizations said their companies were leveraging social tools and channels to improve the customer experience, with an eye on the impact that they can have on revenue generation and maintaining profitability. But even beyond the bottom line, leveraging social channels to improve customer engagement is another way to stay connected with, and have a better understanding of what's important to customers.

In the era of the socially-empowered customer, every interaction - whether it be a phone call, email, tweet, check-in or app download - plays a critical role in the overall experience a customer has with the vendors they choose to do business with. And even though most companies say they understand the importance of delivering exceptional customer experiences, delivering those experiences has been more challenging than anticipated.

While many organizations still focus primarily on marketing, branding and promotion when it comes to social media and its role in business, leveraging it to improve interaction with current customers can have the most immediate impact. Those identifying their organizations as strategic in their use of social media had a noticeably different approach to customers than general survey population. Here are a few key points of interest:

- Social media was top activity selected for improving customer service by Strategic users (58%), 2X that of Informal users (29%)
- Strategic users 22% more likely to use social media to create better interactions with customers and prospects than Informal users (68% vs. 53%)
- Strategic users 2X more likely to be satisfied creating more/better interactions with customers/prospects than Informal users (52% vs 26%)
- Strategic users 33% more likely to use social media to capture the voice of customer (VoC) than Informal users (51% vs. 34%)
- Strategic users 45% more likely to be satisfied with social media use in improving customer service & retention than Informal users (47% vs. 26%)
- Strategic users 5X more likely to measure customer retention metrics than Informal users (23% vs. 4%)
- Strategic users 2X more likely to measure NPS than Informal users (24% vs. 13%)

Customer Service & Social Media

| CUSTOMER SERVICE CHANNELS | STRATEGIC | INFORMAL |
|---------------------------|-----------|----------|
| PHONE/SOCIAL MEDIA RATIO | 2:1 | 4:1 |
| EMAIL/SOCIAL MEDIA RATIO | 1.5:1 | 3:1 |

Strategic organizations leverage self-service channels
twice as much as Informals

AUTOMATION AND INTEGRATION: CREATING SOCIAL BUSINESS PROCESSES

The rise of social and mobile technologies has made it easier than ever for people to create and share more information than ever before. Google Plus, a network only a couple of months old, already has more than twenty-five million users sharing over one billion pieces of content daily. The ease of content creation and distribution has lead us into the age of the Zettabyte (21 zeroes after the “1”) – which is the amount of information estimated to be available to us online today.

While it is great that people are sharing more about themselves online– giving companies an opportunity to better understand their needs – it poses a challenge in terms of collecting that information from the various social channels that customers and prospects use. After we do gather that information, in order to get the best possible understanding of our customers and prospects, we’d like to couple it with any transactional and activity data we may have. Then we need to analyze it, find insights, and create responses that will create more opportunities to engage.

In order to take full advantage of the social behavior of customers and prospects, companies have to be efficient in turning content into conversations, pick out the good leads from the bad, work through the sales process, and effectively provide exceptional customer service and experiences. And as important as customer acquisition is to any company, long term relationship building with customers is an ongoing effort that continues long after the first sale. If the majority of time, effort and resources are spent trying to create new customers, it leaves less time for real relationship building.

Companies looking to implement a social strategy focused on building long-term relationships with customers feels it’s important to integrate social into sales, marketing and service processes – in order to create more efficient opportunities. Additionally, automating routine operations frees up even more time that could be better spent focusing on finding ways to more meaningfully engage with customers. Below are some key differences in how strategic and informal social organizations view the importance of integration and automation.

Strategic vs Informal

- 10X more likely to view integration as very important (40% vs. 3%)

Social Media and CRM integration

- Strategic users 2X more likely to have integration than Informal (42% vs 20%)
- Informal 2.8X more likely to have no plans to integrate as Strategic (67% vs. 24%)

Social Media and Marketing apps integration

- Strategic users almost twice as likely to have already integrated social media with marketing apps as Informal users (46% vs 25%)
- Informal users 3X more likely to have no plans than Strategic (34% vs 12%)

Social Media & Sales

- Strategic users 2X more likely to have already integrated social media into their sales processes than Informal users (42% vs 21%)
- Informal users almost 2X more likely to have no plans to integrate than Strategic users (44% vs. 24%)

Social Media & Product Development

- Strategic Users almost 4X more likely to be planning to integrate social media into Product Development process than Informal users (42% vs. 11%)
- Informal users 2.5X more likely not to have plans to integrate than Strategic users (68% vs 28%)

In order to get customers eating out of the palm of your hand, you First have to get in the palm of their hand.

MEASURING THE VALUE OF THE SOCIAL CUSTOMER

Putting a value on what a customer brings to a company's bottom line over the lifetime of the relationship is pretty cut and dry, historically speaking. Add up all the products and services they bought, subtract the cost of servicing them (phone calls, emails, chats, site visits, etc.) and you have a pretty fair measure of what a customer adds to the bottom line. The more data you have on customers gives you an opportunity to categorize them into segments, where customers that spend a lot with us, get the best service we can provide – with more options to choose from, because we want them to remain customers for as long as possible. Other customer segments, not spending as much as our A-list customers, will be provided less costly means of support in order to maximize the financial value they bring to the bottom line.

Now the “less valuable” customer segments can increase their value to companies if they buy more of what they currently purchase, buy more expensive products, and/or buy more complimentary products. By taking these actions a customer can improve their value to the company and earn the right to have better service, because they’re adding more financial value. Or they can buy access to better service, which also adds financial value.

The lifetime value of the customer (LVC) metric is an important metric with respect to understanding what a customer (or potential customer) will directly add to the bottom line. And the direct value added to the bottom line is what keeps us in business. But as it stands the LVC is a financial measure – and while financial value is critical in measuring customer value, it is not the only value customers can bring to a company that can have serious impact. A customer’s influence on social networks, and their activeness engaging others over social channels on behalf of (or against) your company can seriously impact a company’s well being – far beyond their specific LVC metric score.

Lifetime Influence of the Customer and Lifetime Activity of the Customer will play an ever increasing role in measuring the full impact a customer will have on our bottom lines. The more influential a customer is when talking about our products, services, competitors or the industry overall, the greater the impact they have on the company. And as companies look to build customer support communities in hopes of leveraging their knowledge to resolve tier one issues/challenges (freeing up reps to handle more important issues while lowering service costs), customers who actively provide valuable information and insight to the community should have that activity included in how we value them.

The financial aspects of valuing the customer will always be critically important. But having an understanding of social influence and activity – and putting a proper valuation on both – has to be part of the equation today. It will take time and observation to understand influence, activity, and how each add value. We’ll need to know how influence and activity levels should factor into what customer segment a customer should be placed in. We’ll also have to figure out how influence and activity impact each other to tell the story of customer valuation going forward.

Additionally, we’ll also have to facilitate the customer’s desire to create value via social channels and interactions, by offering them additional avenues to collaborate with us. One thing is certain – social values do, and will continue to have, serious impact on the bottom line. Customers have always wanted to be valued beyond the financial transaction. Their actions online are proving this. So it’s important to start factoring these actions into the equation of how to value them.

Here are a few metrics strategic organizations are using to more completely value actions, activities and influence of customers today:

Strategic Vs. Informal

- 3X more likely to measure sales conversion rate from community (23% vs. 7%)
- 2.5X more likely to measure number of followers (27% vs. 11%)
- 2X more likely to measure net promoter score (24% vs. 13%)
- 3X more likely to measure share of conversation (17% vs. 5%)
- 1.8X more likely to measure new ideas generated (18% vs. 10%)



SUMMARY

It's more important than ever before to engage customers wherever they are. To coordinate all the interactions and conversations with transactional data, calls for a more integrated, systematic approach.

It takes more work to integrate social activities into more traditional processes, but according to the results of our survey, companies that are beginning this process are more likely to see consistent results that help address the top business challenges of growing revenue, maintaining profitability, and acquiring new customers.

Transforming corporate cultures and focusing on providing great customer experiences are foundational to doing business with today's socially-empowered customers. Understanding this is key to leveraging the power of social and how it can positively impact the whole business - not just how it communicates externally. A company can use the right social channels to push out the wrong philosophy, which won't do anyone any good. But the right philosophy, delivered using the right socially-enabled processes, has a much greater opportunity to build long-term relationships with customers. It's a modernized, systematic version of read blogs, talk with customers, and blog yourself.

ABOUT THE AUTHOR

Brent Leary is a CRM industry analyst, advisor, author, speaker and award winning blogger. He is co-founder and Partner of CRM Essentials LLC, an Atlanta based CRM advisory firm covering tools and strategies for improving business relationships. In 2009 he co-authored Barack 2.0: Social Media Lessons for Small Business.

Recognized by InsideCRM as one of the 25 most influential industry leaders, Leary is also past recipient of CRM Magazine's Most Influential Leader Award. He serves on the national board of the CRM Association, on the advisory board of the University of Toronto's **CRM Center of Excellence**, and on the editorial advisory board for The Atlanta Tribune. Leary writes regular **online columns for Inc. magazine** and MyCustomer.com, and serves as Blogger-in-Residence for **TheSocialCustomer.com**. He hosts the **"One on One" conversation series** at SmallBizTrends.com, and teams up with Paul Greenberg on the **CRM Playaz video show**, sponsored by Microsoft and Bloomberg BusinessWeek. He blogs at **BrentLeary.com**, and can be found on Twitter at <http://twitter.com/BrentLeary>.