IBM Institute for Business Value

From social media to Social CRM

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

By Carolyn Heller Baird and Gautam Parasnis

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

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

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

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

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

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

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

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

Businesses' expanding social media footprint

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

The velocity of social media adoption is astounding:

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

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

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

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

Percentage of companies with a profile on a social site
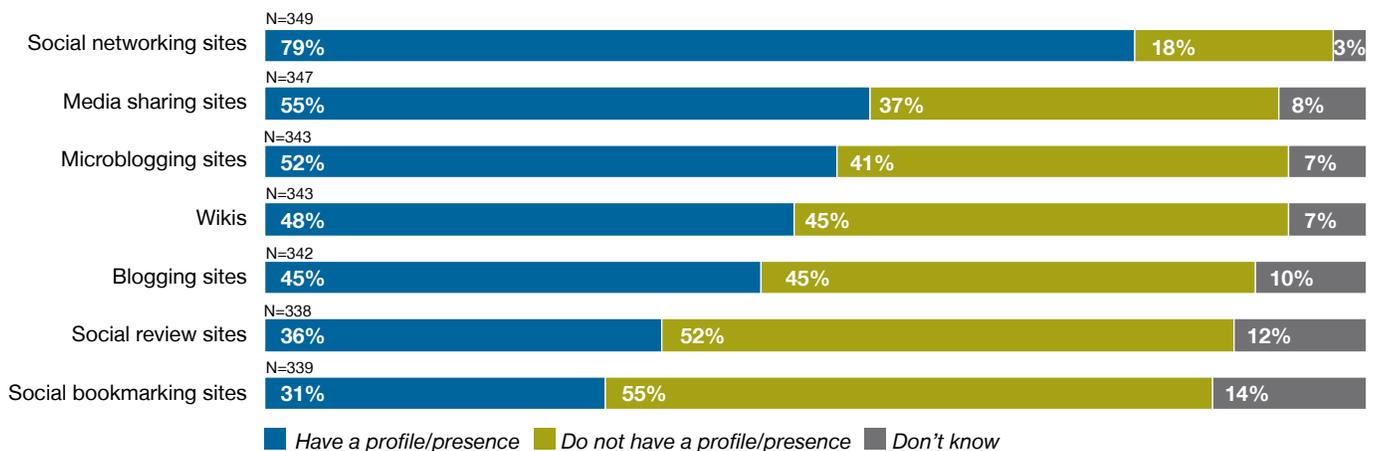
Note: Numbers rounded to equal 100 percent.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

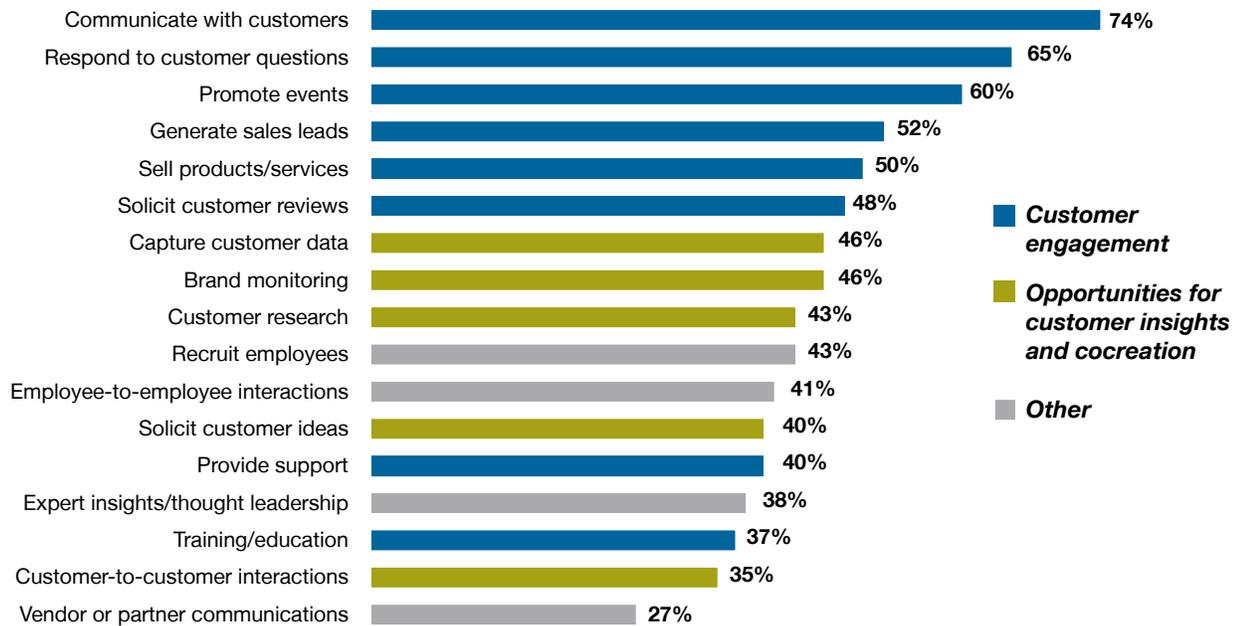*Figure 1:* **Companies tend to use social networking sites more than other types of social sites.**

B2B catches up with B2C

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

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

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

What is your company doing with social media today?

Communicate with customers	74%
Respond to customer questions	65%
Promote events	60%
Generate sales leads	52%
Sell products/services	50%
Solicit customer reviews	48%
Capture customer data	46%
Brand monitoring	46%
Customer research	43%
Recruit employees	43%
Employee-to-employee interactions	41%
Solicit customer ideas	40%
Provide support	40%
Expert insights/thought leadership	38%
Training/education	37%
Customer-to-customer interactions	35%
Vendor or partner communications	27%

■ *Customer engagement*

■ *Opportunities for customer insights and cocreation*

■ *Other*

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

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

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

The strategy shift

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

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

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

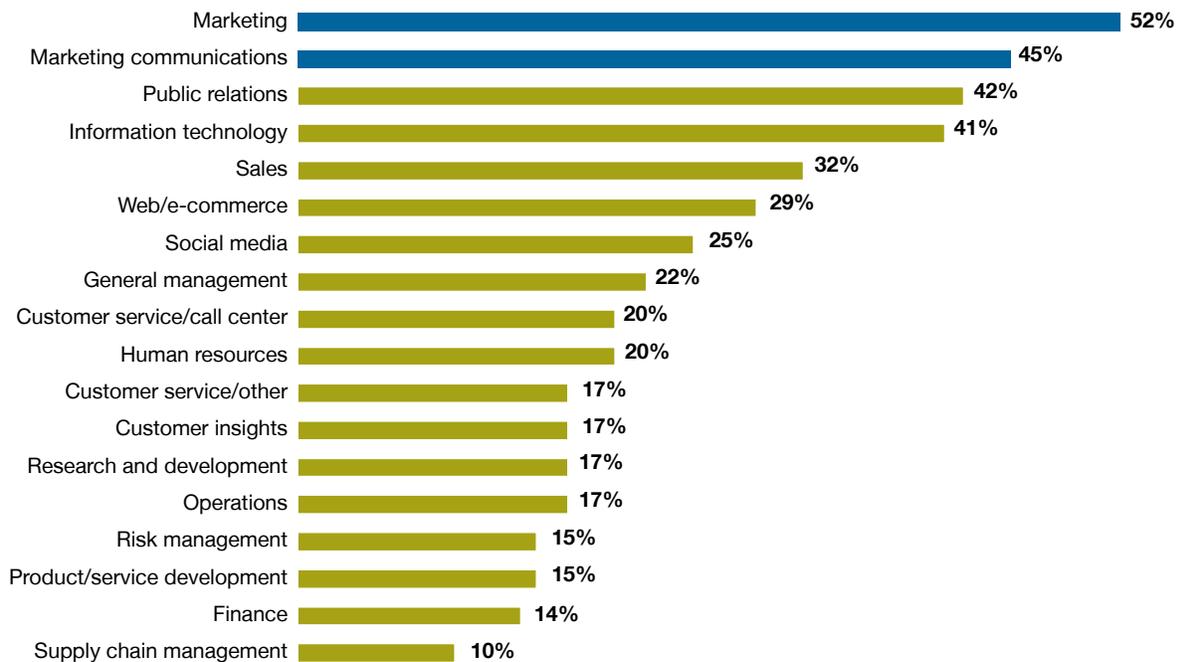*A social media strategy is not the same as a Social CRM strategy.*

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

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

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

| Function	%
Marketing	**52%**
Marketing communications	**45%**
Public relations	**42%**
Information technology	**41%**
Sales	**32%**
Web/e-commerce	**29%**
Social media	**25%**
General management	**22%**
Customer service/call center	**20%**
Human resources	**20%**
Customer service/other	**17%**
Customer insights	**17%**
Research and development	**17%**
Operations	**17%**
Risk management	**15%**
Product/service development	**15%**
Finance	**14%**
Supply chain management	**10%**

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

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

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

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

Agree or disagree? Percentage of responses
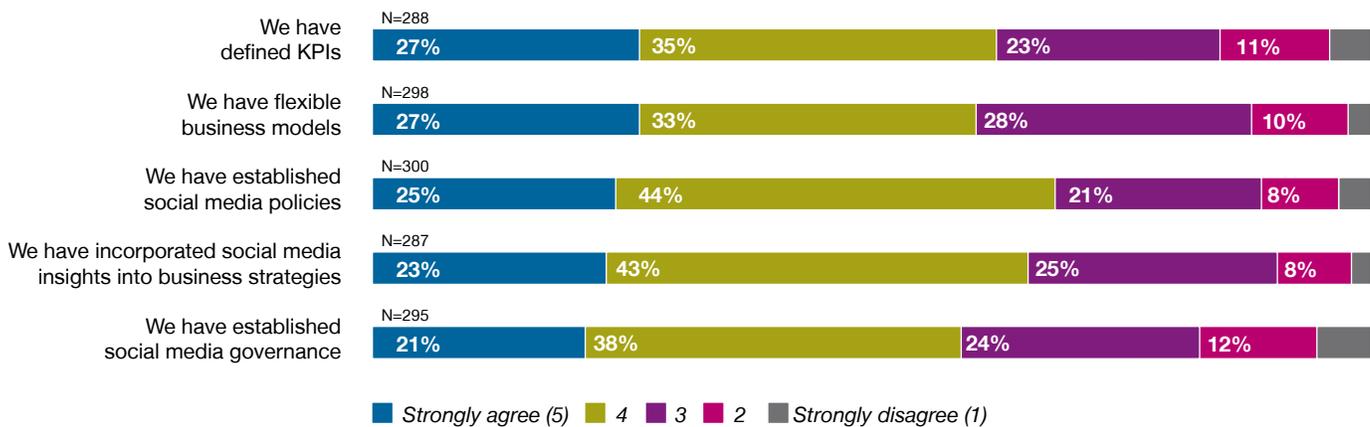
| | Strongly agree (5) | 4 | 3 | 2 | Strongly disagree (1) |

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

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

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

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

The networked hive

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

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

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

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

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

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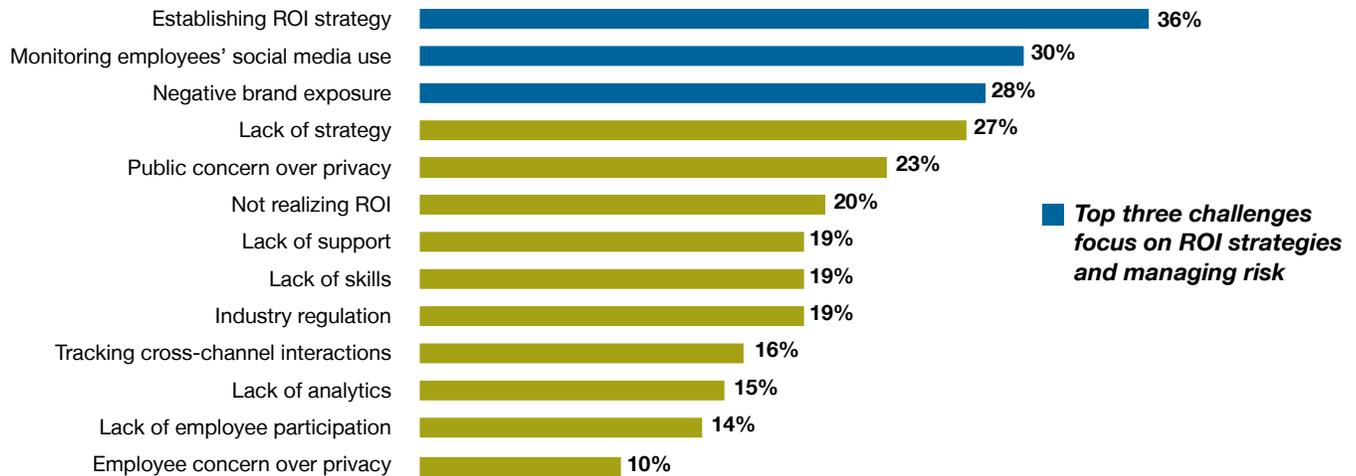
The big fears: ROI and risk

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

Social media challenges

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

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

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

Establishing ROI strategy	36%
Monitoring employees' social media use	30%
Negative brand exposure	28%
Lack of strategy	27%
Public concern over privacy	23%
Not realizing ROI	20%
Lack of support	19%
Lack of skills	19%
Industry regulation	19%
Tracking cross-channel interactions	16%
Lack of analytics	15%
Lack of employee participation	14%
Employee concern over privacy	10%

■ *Top three challenges focus on ROI strategies and managing risk*

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

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

The elusive ROI

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

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

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

Measuring ROI

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

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

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

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

For those companies interested in demonstrating an ROI, analytics can help reveal the impact social media is having on their bottom line. A majority of survey respondents capture data and perform analytic tasks for social media to some degree. However, almost a third of respondents are unenthusiastic about the quality of their efforts to analyze, aggregate or disseminate information (see Figure 6).
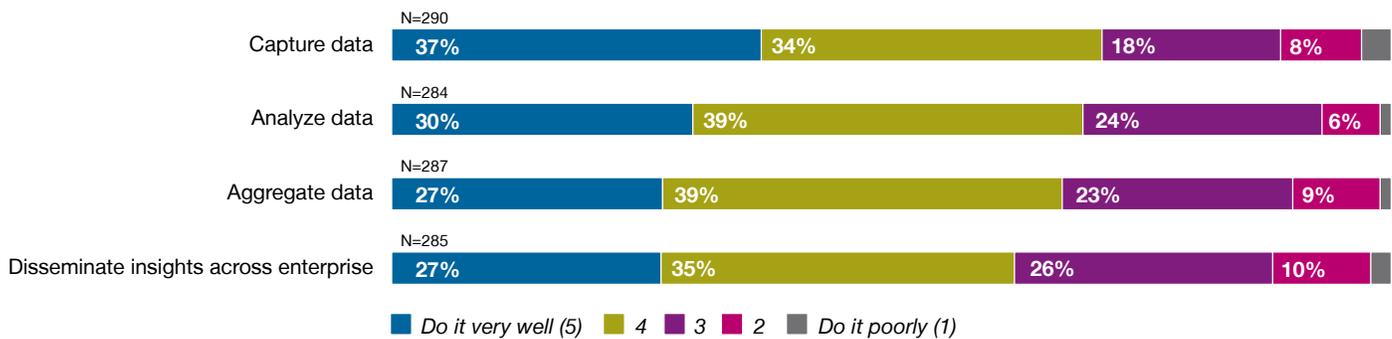
Connecting the dots
The trick to measuring a social media ROI with analytics is being able to connect the dots to better understand how social interactions influence conversion to sales or other desired outcomes. Seton Hall University discovered this and now has a proven ROI that has changed how it reaches out to prospective students.

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

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

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

Capture data	N=290			
	37%	34%	18%	8%
Analyze data	N=284			
	30%	39%	24%	6%
Aggregate data	N=287			
	27%	39%	23%	9%
Disseminate insights across enterprise	N=285			
	27%	35%	26%	10%

■ *Do it very well (5)*   ■ *4*   ■ *3*   ■ *2*   ■ *Do it poorly (1)*

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

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

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

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

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

Assessing and mitigating risk

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

We believe it is the fear of not being engaged *right now* that is driving companies to jump into social media initiatives without having fully assessed the potential for risk. The gravitational pull to be "where customers are," the constant media drumbeat about social media innovation and exploding adoption levels add fuel to the fire. With so much potential gain, companies believe engaging is simply what they need to do to stay relevant and competitive and that the biggest risk is failing to ride the social media wave.
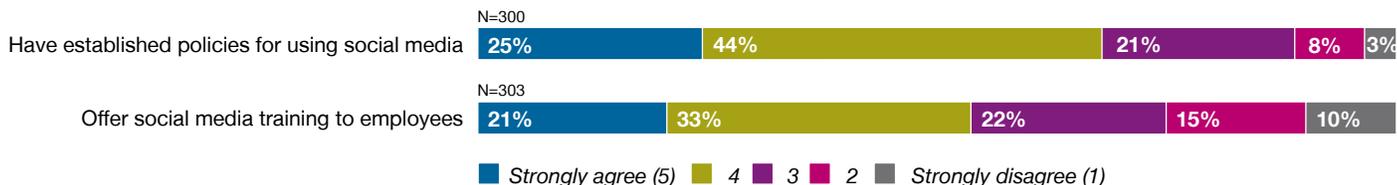
Nevertheless, companies should increase their efforts to mitigate the risk of negative brand exposure. Fewer than half say they monitor their brand using social media, and only 39 percent are working with brand monitoring software vendors today. Ignoring brand monitoring is a missed opportunity on two fronts. First, reputation analysis software can be used

defensively, giving companies early awareness of potential negative exposures so they can quickly respond to possible threats. Second, analytics can also be employed as an offensive strategy to track a digital trail. Even companies not yet using social media to actively engage customers could be listening to the social chatter to better understand the perception of their brand and determine how best to add customer value.

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

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

Agree or disagree? Percentage of responses

N=300

Have established policies for using social media | **25%** | **44%** | **21%** | **8%** | **3%**

N=303

Offer social media training to employees | **21%** | **33%** | **22%** | **15%** | **10%**

■ *Strongly agree (5)*   ■ *4*   ■ *3*   ■ *2*   ■ *Strongly disagree (1)*

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

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

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

Empowering employees

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

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

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

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

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

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

Recommendations and next steps

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

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

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

From social media projects to Social CRM strategy

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

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

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

- *Blur the lines between marketing and customer care.* Social media initiatives originating in marketing and customer care functions need to be aligned better to support the customer holistically. Whether customers engage with a company to respond to promotions or seek information and support, they expect an authenticity that delivers the brand promise. Only 20 percent of businesses have a social media strategy for their call centers. We believe that percentage will grow substantially as companies use social media to:
  - Significantly reduce costs due to call deflection
  - Increase sales due to product or service recommendations
  - Increase customer loyalty due to the dependability of quality service that customers trust
  - Increase marketshare due to brand differentiation of service value.
- *Think global; act local.* Build a Center of Excellence governance model for Social CRM – a networked community with representatives from customer-facing functions. Collaboratively develop customer engagement strategies and share ideas that enable individual functions to leverage proven methods with the freedom to innovate. Develop a common set of measurements, tools, policies and usage guidelines. Use your company's business conduct guidelines and corporate values as a foundation. You can also leverage other companies' social media guidelines, many of which are publicly available, including those from IBM.[8]
- *Empower employees with training, mentorship and incentives.* Employ the Center of Excellence to develop and facilitate training for varying levels of social media expertise, but make sure all employees using social media receive training on guidelines, policies, customer communications practices, and

processes for mitigating risk and escalating concerns. Augment training by pairing novices with mentors. Provide incentives for employees to enhance customer value, and tap employees for their wealth of collective insights on customer and marketplace trends.
- *Walk the talk.* Building virtual communities is what social media is all about. Establish communication and collaboration tools internally to make it easy for employees to connect, and facilitate cross-pollination of ideas and knowledge to help break down organizational silos. These internal social media platforms also provide novices with a safe training environment and serve as fertile ground to pilot and fine-tune new initiatives before launching publicly.
- *Improve ROI and mitigate risk with customer analytics and insights.* A distinguishing feature, indeed a cornerstone of Social CRM, is the practice of continually capturing and analyzing customer data from social interactions to develop viable insights that can help reduce risk and improve all aspects of the customer relationship. From basic sentiment analysis to more sophisticated predictive modeling, companies can employ a continuous loop of Listen-Analyze-Engage-Evolve.

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

Gina Debogovich, Senior Manager, Communities, Best Buy

Conclusion

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

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

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

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

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

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Related publications

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

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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

Raj Mirchandani, Partner, Market & Customer Management Leader, Strategy & Transformation, 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

Ahsan R. (Rawn) Shah, Social Business Transformation Consultant, IBM Software

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

Appendix: Study methodology

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

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

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

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