

IBM Institute for Business Value

From social media to Social CRM



Overview

Today's businesses are fervently building social media programs to get closer to customers. But are customers as enthusiastic? Most do not engage with companies via social media simply to feel connected. It turns out, customers are far more pragmatic. To successfully leverage the potential of social media, companies need to design experiences that deliver tangible value in return for customers' time, attention, endorsement and data.

What customers want *The first in a two-part series*

With the worldwide explosion of social media usage, businesses are feeling extreme pressure to be where their customers are. Today, this hub of customer activity is increasingly located inside a social media site.

However, using social media as a channel for customer engagement raises interesting challenges for traditional CRM approaches. With social media, customers (and their highly influential virtual networks), rather than companies, are now driving conversations. Companies need to embrace this shift with a new strategy, *Social CRM*, which recognizes the role of business today is to facilitate collaborative experiences and dialogue that customers value.

What do consumers value?

Consumers worldwide are swarming to social media, but most interact only occasionally.

Nearly 80 percent of the online consumers we surveyed have at least one account on a social networking site, and almost half have accounts on media-sharing sites. But only 5 percent say they nearly always respond to others' comments or post original content.

It's about friends and family – not brands.

For most consumers, social media is focused on family and friends and accessing news and entertainment – not interacting with brands. More than half don't even consider engaging with businesses via social sites. Of the 45 percent who do interact with brands, the majority say they need to feel a company is communicating honestly before they will interact.

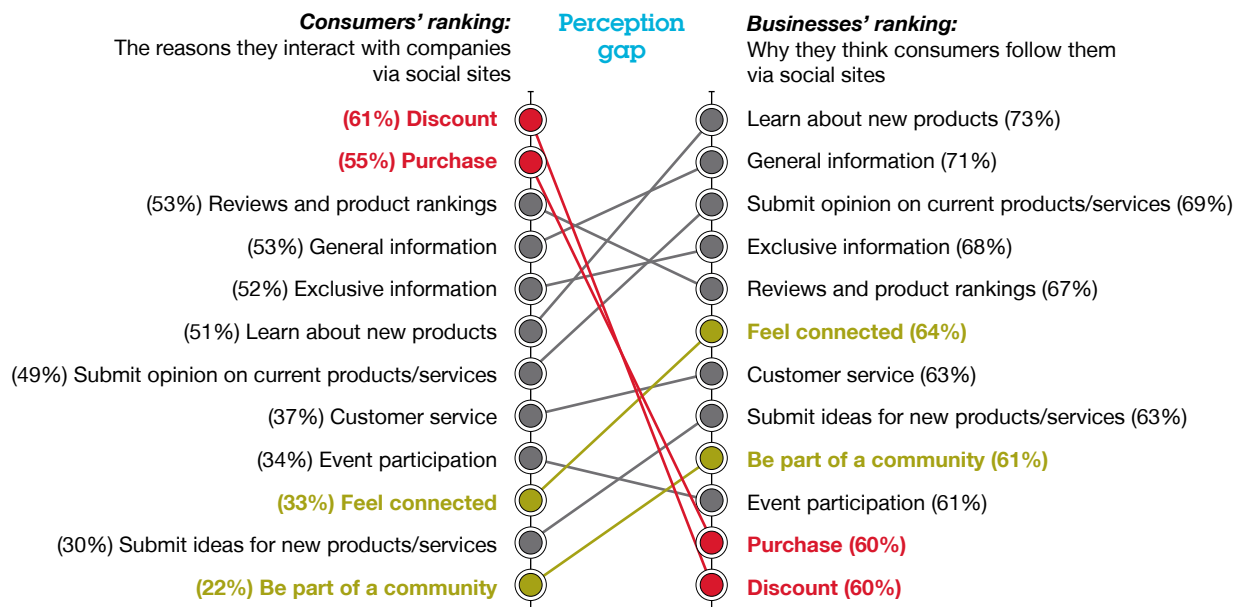


Perception versus reality – what consumers really want.

We discovered significant gaps between what businesses think consumers care about and what consumers say they want from their social media interactions with companies (see Figure). Sixty-five percent of businesses view social media as a new source for revenue but, at the same time, many believe receiving discounts or coupons and purchasing products or services are among the least likely reasons a customer would seek them out on social sites.¹ Ironically, though, consumers say getting tangible value is the top reason they interact with a company.

The advocacy paradox – Is it the chicken or the egg?

Most executives say social media will increase customer 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. In other words, consumers who typically engage already have an affinity for that brand or company.



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

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

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Conclusion

It is understandable why companies want to use social media to interact with customers. But to do this effectively, companies need to break through the noise and offer current and potential customers a reason to reach out to them via social media. Businesses need to stay laser focused on what their customers value in social media to reap the full potential of a successful Social CRM strategy.

How can IBM help?

- **Customer Centric Strategy** solutions help companies understand customer needs and define a vision for multichannel strategy design and governance. Includes business value accelerators, channel and digital transformation services.
- **Social Business** solutions embrace and cultivate a spirit of collaboration and community throughout an enterprise—both internally and externally. Includes the use of social media for customer collaboration and workforce optimization and effectiveness.
- **Customer Relationship Management** solutions enable a better understanding of customer expectations to improve interactions with employees and online systems. Includes technology platforms that align business units across departments, enabling collaborative information sharing.
- **Business Analytics Optimization** - Customer Insight and Segmentation is a suite of analytics solutions to help forecast market trends, develop an investment strategy for customers, sales initiatives, media, and geographies and capture customer insights.

To request a full version of 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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References

- 1 For more information about companies’ social media strategies, practices and challenges, refer to the second pa-per in this two-part series: “From social media to Social CRM: Reinventing customer relationships.” IBM Institute for Business Value. 2011.



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